

doldrums



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France looks at pension reform
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How a vision turned to folly
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Bank of England
Separate sections

FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY JULY 27 1994

Boeing profits hit by sharp fall in deliveries

Boeing, Seattle-based aerospace group, suffered a near 50 per cent fall in second-quarter net earnings to \$22m, mainly because of a sharp downturn in aircraft deliveries. Boeing's chairman and chief executive, Frank Shrontz, confirmed forecasts of 260 deliveries for the full year, with production showing a 20 per cent decline in the second half from the first. Page 13

Loans for Tanzania attacked: World Bank loans exceeding \$1bn to Tanzania in the 1980s and 1990s helped sustain a "poorly thought-out Socialist experiment", according to a confidential internal report drawn up by the agency. Page 12

Deutsche Bank managed: a 1 per cent rise in first-half operating profit to DM2.65bn (\$1.69bn), despite a sharp fall in earnings from own account trading. Page 13; Lex, Page 12

Russian companies to own their land: Russian companies have finally been given the right to own the land on which they stand, in spite of many concessions to conservatives in a new privatisation decree. Page 12

Two-race suspension for Schumacher: Formula One championship leader and 1993 champion Michael Schumacher (left) was suspended for two races and docked six points for infractions during the British Grand Prix earlier this month. Schumacher was punished for overtaking eventual winner Damon Hill of Britain during the warm-up lap and later ignoring a "black flag" warning to come into the pits. Clerk of the course Pierre Ammonier was suspended for a year.



Sweden-Denmark link: Tenders will go out in September for the first fixed link between Sweden and Denmark following Sweden's go-ahead for one of Europe's biggest infrastructure projects. Page 4

Adams ban to go to European Court: Two High Court judges referred the UK government ban on Gerry Adams, president of Sinn Féin, the political wing of the IRA, visiting mainland Britain to the European Court of Justice. Page 6

Genecor, the South African mining house, is to pay \$1.14bn for most of the metals and minerals operations of the Royal Dutch/Shell group, which trade under the Billiton banner. Page 13; Lex, Page 12

Japanese caution: The recovery of the Japanese economy is continuing, but could be knocked off course, says a report by the government's Economic Planning Agency. Page 3

Digital Equipment reported fourth-quarter losses of \$1.75bn and a heavy loss for the fourth consecutive year. Page 13

Steady UK recovery: Further evidence that UK manufacturers are seeing steady economic recovery emerged after a business survey reported the fastest rise in manufacturing order books for almost six years. Page 6

UN staff pulled out: The United Nations operation in Somalia evacuated its civilian expatriate staff from the central Somali town of Belet Huen after gunmen looted its compound.

Mexican candidate hurt: Mexico's main leftist opposition party, the Party of Democratic Revolution (PRD), has demanded an investigation into a road accident that left Amando Avendaño, candidate for governor in the southern state of Chiapas, seriously injured, and three colleagues dead. Page 4

US consumer confidence edged lower this month but remains close to a four-year high, the New York Conference Board, a business information group, said. Page 4

Daimler-Benz plans to invest DM250m (£102.5m) in commercial projects in Vietnam over the next five years. Page 4

Kazakh blast kills five: A natural gas explosion in a five-storey apartment block in the town of Lenin near the Kazakhstan cosmodrome at Baikonur killed five people, seriously injured another four and buried a further 27 beneath rubble.

Chittagong clashes: Four people were killed and nearly 150 injured in Chittagong, Bangladesh, in clashes between supporters of the United Students Forum, which opposed plans by the militant Jamaat-e-Islami party to hold a rally in the port city.

STOCK MARKET INDICES
FT-SE 100 3172 (+11.1)
Yield 4.8
FT-SE Eurostoxx 100 1391.70 (+6.77)
FT-SE-AF-Share 1557.85 (+0.4%)
Nikkei 20,345.37 (+47.71)
New York: Dow Jones Ind Ave 5725.85 (-5.18)
S&P Composite 453.49 (-0.78)

US LUNCHTIME RATES
Federal Funds 4.5%
3-mo Treas Bill Yld 4.51%
Long Bond 8.51
Yield 7.552%

LONDON MONEY
3-mo interbank 5.1%
3-mo bill 5.1%
100 long gilt future: Sep 102.12 (Sep 102.2)

NORTH SEA OIL (Argus)
Brent 15-day (Sep) \$17.585 (17.675)
Brent 15-day (Aug) \$17.585 (17.675)
New York: WTI 15.585 (17.675)
London: Brent 15.585 (17.675)

STERLING
New York: Sterling 1.52425
London: Sterling 1.52425
DM 2.2608 (2.4315)
Sfr 2.0581 (2.0611)
Y 148.333 (151.497)
E index 76.5 (78.1)

DOLLAR
New York: Dollar 1.58785
DM 1.58785
Sfr 1.34955
Y 98.16
London: DM 1.5885 (1.5948)
Sfr 1.3475 (1.3435)
Y 98 (98.75)
S index 63.2 (63.3)

YEN
New York: Yen 136.1 (136.9)
London: Yen 136.1 (136.9)

ASIAN
Asia: S&P 100 1000
Bahrain 1000
Bangladesh 1000
Belgium 1000
Bolivia 1000
Brazil 1000
Canada 1000
Chile 1000
China 1000
Colombia 1000
Czech Rep 1000
Denmark 1000
Egypt 1000
Finland 1000
France 1000
Germany 1000
Greece 1000
Hong Kong 1000
India 1000
Indonesia 1000
Israel 1000
Italy 1000
Japan 1000
Jordan 1000
Kuwait 1000
Lebanon 1000
Lux 1000
Malaysia 1000
Mexico 1000
Morocco 1000
Netherlands 1000
New Zealand 1000
Norway 1000
Oman 1000
Pakistan 1000
Philippines 1000
Poland 1000
Portugal 1000
Qatar 1000
Saudi Arabia 1000
Singapore 1000
South Africa 1000
Spain 1000
Sweden 1000
Switzerland 1000
Syria 1000
Taiwan 1000
Tanzania 1000
Thailand 1000
Turkey 1000
UAE 1000
UK 1000
USA 1000
Vietnam 1000
Yemen 1000

Rabin warns of wave of terrorism after bomb blast

By Jimmy Burns and Stewart Dalby in London, and Julian O'Sullivan in Washington

Israel's prime minister Mr Yitzhak Rabin warned yesterday the world was facing a new wave of radical Islamic terrorism after a powerful bomb blasted the country's embassy in London, a day after Israel signed a historic co-operation agreement with Jordan.

The car bomb attack injured 13 people, extensively damaged the embassy in West London and rocked nearby buildings in the capital's "embassy row", including Kensington Palace, where four members of the British Royal family were unharmed.

Yesterday's blast followed a car bomb attack on a Jewish centre in Buenos Aires on July 18 which killed at least 96 people, and prompted Mr Rabin to suggest that European and American countries were at risk from "a wave" of attacks by extremists.

"They continue a struggle of terror to kill Israelis, to fight against moderate Arab regimes and to do everything to undermine any possibility...to bring about a comprehensive peace between Israel and its neighbouring Arab countries and the Palestinians," he said.

The blast at around 12.10pm (local time) occurred without warning, although one embassy official said a vehicle driven by a woman had been diverted by security staff from the main entrance minutes before the explosion outside the embassy.

Commander David Tucker, head of Scotland Yard's anti-terrorist squad in London, said last night the police were seeking a woman of 55 to 60 years, believed to have been driving the car, which was thought to contain 30 to 35 pounds of commercial explosives.

Asked whether there was a connection with the bomb in Buenos Aires, Commander Tucker said: "This was a much smaller bomb and the connection is obviously that the target is the Israelis."

Mr Rachel Gordon, a member of the embassy press office said: "It was a huge, huge explosion. Parts of the building just collapsed." Another witness, builder Mr Michael Hassit who was working nearby, said he saw a "big plume of smoke and debris going up to 200 feet up in the air".

According to Israeli officials, the London embassy together with other Jewish buildings around the world, have been on heightened security alert since the Buenos Aires attack. However, the attackers clearly managed to exploit vulnerable security points around the embassy building in an operation which some security experts believe would have taken several weeks to plan.

Mr Douglas Hogg, foreign office minister, described the latest attack as a "shocking offence" and promised that security in the UK would be stepped up. He added, however, that there could not be full security guarantees in an "open city like London".

Mr Rabin spoke shortly before he addressed a joint session of the US Congress with King Hussein of Jordan. The king told congress he had come to Washington to "secure a peace for all the children of Abraham". He also called for international aid to make the peace struck between leaders "real to the men, women and children of the Middle East".

However, Mr Rabin said that unless the world woke up to a new threat Israel, moderate Arab regimes and even European, American and Latin American countries would be at risk from Iranian-backed terrorism that he dubbed "Khomeinism without Khomeini", referring to the former Iranian leader.

Jordanian officials also said yesterday the Clinton administration was supporting changes to allow Jordan to receive excess American military equipment.

13 people injured in attack on Israel's London embassy

Muslim radicals try to shatter peace process

Page 3

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Banks warned on linking bonuses to profit

By John Gapper, Banking Editor, in London

The world's banks have been warned not to tie the bonuses paid to financial derivatives dealers too closely to the profits of the products they sell, as this could create excessive risks.

The Basle Committee of international supervisors gave the warning in its guidelines for bank supervisors, published yesterday, on how banks should manage derivatives such as swaps and options.

Similar guidelines were issued yesterday to regulators of securities firms by the International Organisation of Securities Commissions (IOSCO).

The guidelines come amid debate over the derivative trading activities of banks and securities firms and follow proposals from the Basle Committee earlier this month that banks should have to hold more capital to cover derivative risks.

The Basle committee suggests that banks could be at risk if their dealers - some of whom attract multimillion-dollar bonuses - are paid on the profitability of the trades without the risks being considered.

Their guidelines place strong emphasis on senior directors of banks being told in plain language about the risks they may be running. They say that the risks should be translated into simple terms in internal reports.

Supervisors in individual Group of Ten countries covered by the Basle committee are also told to ensure that banks do not allow their traders to start selling new derivatives products before managers understand them.

Mr Tommaso Padoa-Schioppa, the Basle committee chairman, said that the guidelines would be used to help banks improve risk management systems. "Our philosophy is that this is the responsibility of banks, not supervisors," he said.

Mr Padoa-Schioppa said that there was a danger that the pace of innovation was so fast that managers could not keep up. "Managers must be absolutely sure they know as much as traders about the risks to the company," he said.

He said banks and securities regulators had worked jointly on guidelines despite the fact that they issued separate documents. There has been a history of division between the two industries' supervisors.

There was a significant split between the Basle Committee and IOSCO last year, when efforts to devise joint rules on capital charges for trading activities broke down.

The IOSCO guidelines warn that the potential profits from derivatives may lead firms to "ignore or underestimate" risks.

The Basle guidelines warn banks about the "liquidity risks" of being unable to unwind loss-making positions in volatile markets. They also warn that banks should monitor the credit quality of companies with which they deal carefully.

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By Leslie Crawford in Kigali

Gen Paul Kagame, the commander of the rebel Rwandan Patriotic Front, which took control of the country last week, said yesterday he would accept the presence of UN human rights monitors to guarantee the safety of returning refugees.

The strugling of the new government, who has taken the posts of vice-president and defence minister, said he wanted to persuade the millions of Hutus who fled in fear of his Tutsi-led guerrillas to come home.

"They have to give Kagame a chance to prove he is not what he has been portrayed to be," he said.

The propaganda of the ousted Hutu government, which Gen Kagame fought for 3 1/2 years, depicted him as an ogre. Yesterday, in his well-cut civilian suit and gold-rimmed glasses, Gen Kagame looked more like a university professor than a professional soldier. He appears much older than his 37 years, having spent more than a third of his life as a guerrilla in the African bush.

Perhaps because of a life spent in exile, Gen Kagame insists Rwanda needs a new political ideology that might break the cycle of ethnic hatred which has plagued his small nation for decades.

"Not all Hutus took part in the genocide of the Tutsi community," he said. "Not all Tutsis were feudal overlords in the past. We need to create a country that belongs to all Rwandans. We need to educate people on how to live together again."

He defended the dominance of the RPF in the new government, which includes four other political parties and Hutus in prominent posts.

"The RPF will have a strong voice in the new government if necessary," said Gen Kagame, who prefers to speak English, instead of French, Rwanda's official language. "This country needs to move. Someone must give it direction and a programme."

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Good risk guides, Page 18

White House counsel Lloyd Cutler (above) swears in before the House banking committee which is holding hearings on the Whitewater affair. Mr Cutler said President Bill Clinton's close aides had breached no ethical standards in discussions with government regulatory officials in connection with the savings and loan institution at the heart of Whitewater Report, Page 12

Picture: Reuters

Congress hearings open into Whitewater affair

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Picture: Reuters

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edge

NEWS: EUROPE

Access is dividing regions - and the troubled Socialists - writes Tom Burns

Water gets political in a very dry Spain

Water will begin trickling today via a network of canals and aqueducts, from the nearly empty reservoirs fed by the Tajo river in central Spain to the almost dry ones served by the Segura river more than 300kms south east.

After one of the longest low rainfall decades on record, the transfer of water from the haked steppes of the Spanish plain to the parched orchards on the Mediterranean has sparked a bitter debate, nowhere more so than inside the ruling Socialist party, which controls the two regions fighting for the water.

The row centres on the irrigation potential, or lack of it, of the Tajo-Segura trasvase a series of canals and tunnels that links the 1,082km-long Tajo, which enters the Atlantic, as the Tago, at Lisbon, with the 325km-long Segura, which flows into the Mediterranean south of Alicante.

The issue is how water should be managed in a mainly dry country. As consumption has risen with expanding urban populations and enlarged agricultural areas under irrigation, water has become increasingly scarce - and political.

People in the Segura basin, one of Spain's richest fruit growing regions, are so low on water they have warned they might have to uproot their parched trees. The only way to get water to them is from the Tajo, where people say they do not have enough to drink.

Mr José Borrell, the public works minister who at the

The issue is how water should be managed in a dry country

7 per cent. The fruit farmers to the south had wanted an emergency supply of at least 60,000 cu m to save their cash crops.

The released water flow, which has taken more than three days to reach the Segura reservoirs, will only be available for irrigating the main orchards in the Alicante region on August 6. Some 7,000 cu m of the Tajo's inflow will have been lost by that time through evaporation and, when at last it reaches the table grape producing vines and the almond, orange, lemon and pomegranate trees in the area, will provide only about two weeks' worth of irrigation.

This limited water injection

will save some of the crops, spread over 50,000ha, that over the years had built up strong export markets in the EU. About half the area has received no irrigation at all this year, some 12m-15m trees will bear no fruit and losses are estimated to be Ptas25bn (£125m).

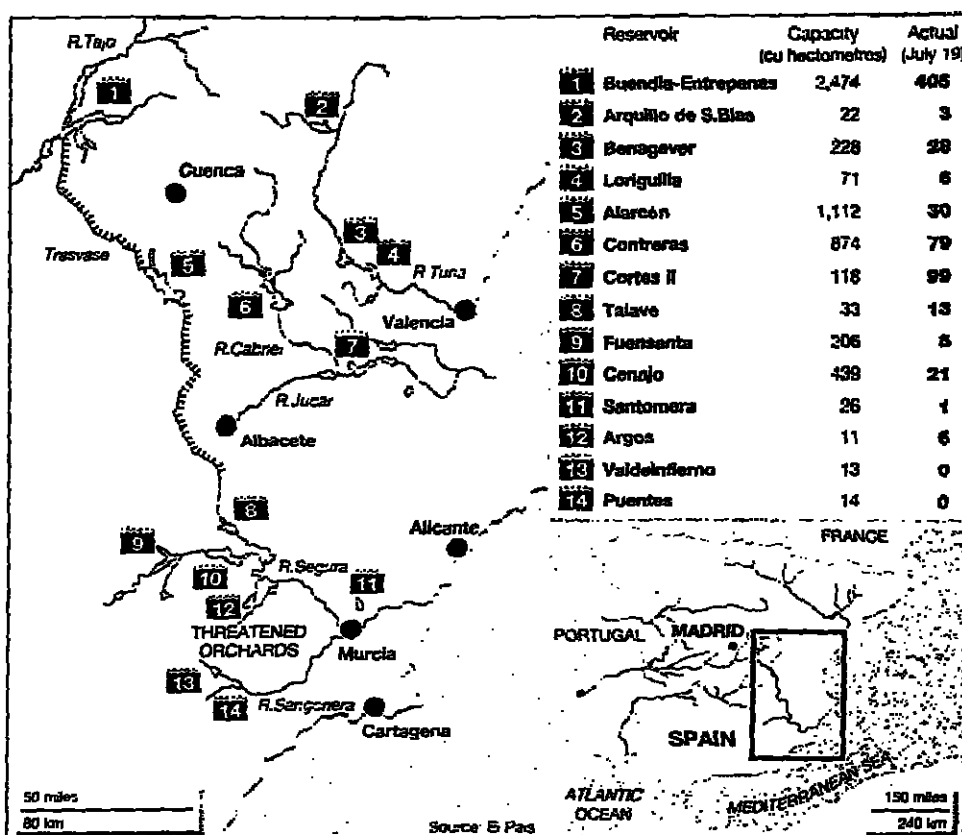
None of that moved Mr José Bono, premier of the Castilla-La Mancha region which includes the Tajo and the depleted Buendia reservoir.

"Not a drop must leave the Tajo," he insisted and, as one of the closest of prime minister Felipe Gonzalez's Socialist party allies, managed to delay the opening of the Buendia sluice gates for weeks.

Mr Bono claims there are some 100 villages in the vicinity of the reservoir suffering water shortages and that more than 70,000ha theoretically earmarked for irrigation by the Tajo in Castilla-La Mancha have never produced a crop because the Buendia-Entrepénas has never held enough water to permit the area's cultivation.

But the pressure from Mr Juan Llerma, premier of the Valencia region, which includes the Alicante orchards, proved more powerful and bent the government's ear. He says whatever Castilla-La Mancha might produce by way of future crops, the existing cultivation in his region is threatened and that billions of pesetas and thousands of jobs are at stake.

The two regional socialist leaders have openly attacked each other in the media and



their outbursts have succeeded in further embarrassing a government already at pains to soothe over differences between the party's left wing and its moderates. Last week Mr Llerma encouraged Alicante fruit farmers to demonstrate in Madrid and this week Mr Bono is expected to support a similar march on the capital by thirsty villagers from the Tajo's river banks.

The row has at least had the virtue of focusing minds on a National Hydrology Plan, dealing with water resource management and with a provisional budget - spread over 20 years, of Ptas3,500bn - that is now in its final blueprint stage before Mr Borrell presents it to parliament later this year.

The plan includes the construction of as many as 200 dams which will serve to bring water south from Spain's northern wetlands, and chiefly from the Douro and Ebro river basins, to the Tajo's reservoirs and on to areas such as Alicante's orchards.

According to Mr Juan Manuel Ruiz García, a member of the National Water Council which has been consulted over the plan, the projected north-south transfer of irrigation resources could repeat the mistakes made with the Tajo-Segura trasvase.

Planned during the 1930s and built during the Franco years, the trasvase, with its accompa-

nying dams and reservoirs, was intended to provide self-sufficiency in food, water supplies for the rapidly growing big cities and the build-up of hydro-electric power.

Worst of all, the all-important Buendia-Entrepénas reservoir never filled up; with a capacity for 24bn cu m it held just 405m cu m earlier this year and the trasvase, which was projected to carry 600m cu m annually, has never carried more than half that.

Russia agrees troops pullout from Estonia

By John Lloyd in Moscow

The presidents of Russia and Estonia yesterday signed an agreement under which the remaining 2,000 Russian troops in Estonia will leave by August 31 - marking the end of the last vestige of such agreements between Russia and the three former Soviet republics in the Baltics.

If adhered to, it will mean that by the end of the summer all Russian divisions will have been pulled back from the three countries which they have occupied, in Soviet or Russian form, for 50 years. They have already left Lithuania and are leaving Latvia - though the Baltic news agency reported yesterday that Mr Sergey Zotov, the Russian negotiator, had expressed "serious concern" that the Latvian parliament had not ratified the pullout agreement.

The negotiation process - especially in the case of Estonia, the smallest of the three republics - has been protracted, bad-tempered and mutually recriminatory, with the main western states all putting pressure on Russia to observe the August 31 date. Moscow had put this in doubt because of fears that the rights of the Russian speakers in the Baltic states were being violated.

A brief statement to the official news agency Tass said that "the presidents of Russia and Estonia signed an agreement today that the rights of the Russian military pensioners would be respected equally to the rights of Estonian citizens. They also signed an agreement in accordance with which Russian troops are with-

drawn from Estonia before August 31". Russia's president Boris Yeltsin, emerging after six hours of talks with his counterpart, President Lennart Meri - with whom he has never found a rapport - commented that the negotiations were "pretty hard".

The formula appears to mean that the Estonian side will pay pensions and offer the rights of citizenship to those among 10,000 Russian officers who have reached retirement age - but not to those among them in their thirties and forties whom the Estonians believe are present or former secret policemen who have been actively engaged in espionage and other anti-state activities.

The agreement puts to one side two other Estonian demands - for a return of two slices of Russian territory which had been part of the pre-war Estonian Republic, and for a statement of regret on the Russian side for the Soviet occupation of Estonia and the repression of the population after the war. Neither of these - especially, as Estonian officials admit privately, the first - are likely to be conceded and may be shelved quietly if relations settle down.

Some 500,000 Russian speakers still live in Estonia; 40,000 have applied to leave, 60,000 have applied for Estonian citizenship and the majority are undecided. Estonia's economy is in by far the healthiest shape of any of the 15 former Soviet states and this is likely to persuade many of the Russian speakers to learn enough Estonian to pass the language test necessary to apply to transfer their allegiance from Russia to Estonia.

Germany tries to force the pace over VAT

More than any other group of industrialists in the European Union, the German business community dislikes intensely the current arrangements for collecting value added tax across the single market.

The system, introduced a year and a half ago when frontier controls between the 12 member states were dropped, requires companies to do the paperwork once carried out by customs, filing trade returns to domestic tax authorities so that they can keep track of VAT payments. As far as Germany is concerned, it is a burden on industry that should be changed at the earliest possible opportunity.

For this reason, Germany has thrust VAT arrangements to the forefront of its presidency in an effort to ensure that the EU remains on schedule for a switch to the so-called "definitive regime" of VAT on January 1, 1997. Under this system VAT will be levied at the rate applicable in the country from which the goods originate rather than at the rate applicable in the country where they are sold.

The big advantage for business is that traders will no longer need to differentiate between domestic and intra-Union sales.

Germany's eagerness has to be reckoned with. But when economics and finance ministers meet in Brussels today for a meeting devoted entirely to tax, Mr Theo Waigel, German finance minister, is unlikely to find his enthusiasm matched by his counterparts.

Brussels has yet to produce its proposals on introducing the definitive regime. German nagging has persuaded it to bring forward the publication date to October, but meanwhile, the once revised transitional arrangements are settling down. There is also a growing feeling among busi-

ness leaders and tax officials that it would be unwise to impose an entirely new system before the faults of the earlier one have been properly identified.

As Unice, the European confederation of industry put it: "Due caution should be exercised before moving to another system as the wrong choice would involve European busi-

ness in a substantial opportunity cost."

Mrs Christiane Scrivener, commissioner in charge of indirect taxation, fears that by pressing ministers to discuss the subject before any definite proposals are on the table, the Germans might create confrontation and problems.

She favours a more consultative approach - putting all the pieces of the puzzle on the table, as she puts it, before sitting down to put it together.

Formulating proposals acceptable to all member states will be difficult. The country of origin system throws up two conundrums. First, such a regime needs to be accompanied by a clearing house system to redistribute revenue around the Union. Without one, countries exporting a lot of goods would benefit enormously, while high-import nations would lose. The clearing house system is thus viewed with considerable mistrust by states which fear they would not be justly recompensed.

Second, the origin-based system requires a far greater degree of harmonisation of VAT rates. But countries like

Britain do not want to sacrifice zero-rating on categories such as children's clothes and oppose uniform rates strongly. Market forces might be allowed to play their part in harmonising rates, but some of the poorer countries argue that this would be unfair until there is a greater degree of economic convergence.

Not content with keeping this complex and unpopular subject in the limelight, the Germans today will also be raising the subject of a uniform withholding tax. They want a common European tax on savings, putting an end to the huge flight of D-Marks from Germany, where there is a high tax on savings, to Luxembourg, where there is none.

Luxembourg and Britain vehemently oppose such a move, arguing that it would lead to damaging capital outflows from the EU to other tax havens such as Switzerland.

Mrs Scrivener is diplomatic: "Germany is hoping to advance thought on the matter," she says. "They want us to talk about it because they think perhaps this could lead to new ideas."

Perhaps the only area where the Germans can hope to make progress is on energy taxes. It is suggesting that a straightforward energy tax should be abandoned in favour of increased excise duties on mineral oils.

Some member states have already indicated that this approach is more likely to lead to a consensus on how best to meet commitments to stabilise carbon dioxide emissions by the end of the century. Quite how many countries are in favour will emerge at today's meeting. Here at least, the Germans, working in tandem with the French (who occupy the presidency of the Union after the Germans) might see some advance.

Brother of Berlusconi accused of corruption

By Robert Graham in Rome

Mr Paolo Berlusconi, the younger brother of the Italian prime minister, provided money to pay bribes to the Guardia di Finanza, the financial police, on behalf of Fininvest, the Berlusconi family's media empire, according to lawyers acting for a senior Fininvest executive.

This new twist to the problems of Fininvest and its proprietor, Mr Silvio Berlusconi, came after Mr Salvatore Sciascia, head of the group's tax department, had been interrogated by Milan magistrates on charges of corruption.

In comments reported yesterday by Ansa, the national news agency, Mr Guido Viola, Mr Sciascia's lawyer, said bribes paid by his client to the Guardia di Finanza had been provided and approved by Mr Paolo Berlusconi.

Mr Sciascia was one of two people handling Fininvest's tax affairs who were issued with arrest warrants last Saturday.

On Monday Mr Sciascia admitted paying a total of L330m (£137,000) to members of the financial police to cover inspections of three Fininvest subsidiaries between 1989 and 1992. It was not clear whether the money paid out had been accounted for in Fininvest's balance sheets.

Mr Paolo Berlusconi, whose lawyers last night made a surprise visit to the Milan magistrates, was a board member of Fininvest, while his brother Silvio, the founder of the group, was chairman - a post he surrendered when he entered politics in January.

Yesterday, police searched Mr Sciascia's offices and also issued an arrest warrant for a third member of Fininvest's tax department. So far only Mr Sciascia has handed himself in.

Among the aspects of Fininvest Milan magistrates are now reportedly investigating is the ownership structure of Teletipi, the pay-TV channel. Mr Berlusconi was only permitted a minority stake in Teletipi because of anti-trust laws.

The damage to the government's credibility by the investigations into Fininvest caused shares on the Milan bourse to fall by almost 3 per cent yesterday and the lira remained weak.

The prime minister himself yesterday struggled to recoup some of his lost authority with a defiant speech to a congress of the Christian Democratic Centre, minor partners in his right-wing coalition. He criticised the judiciary for exceeding their powers and, in a clear reference to the Milan magistrates, challenged those who sought to take political positions to seek a popular mandate at the polls.

EUROPEAN NEWS DIGEST

Bosnian Serbs to tighten grip on Sarajevo

The Bosnian Serbs, in a clear warning to the west not to impose punitive measures for their refusal to sign a peace agreement, have said they will reimpose their blockade on civilian traffic in and out of Sarajevo from today. Mr Radovan Karadzic, the Bosnian Serb leader, told the United Nations in Sarajevo that its convoys would be the only traffic allowed in and out of the Bosnian capital. The Serb threat could mean the virtual reimposition of the siege of the capital which ended with a truce in February. It is also a pointed reminder to the west of how rapidly the situation in Bosnia as a whole could deteriorate if the Serbs reverse the concessions they made earlier this year.

A meeting in Geneva this weekend of the five foreign ministers involved in designing a peace plan for Bosnia is expected to hear calls, particularly from the US, for tougher action against the Serbs. The latter have described the peace proposals as incomplete, a stance which has been widely condemned as tantamount to rejection. However, in another serious challenge to western policy in Bosnia, General Pavel Grachev, the Russian defence minister, said in Belgrade that he did not want to see Nato playing a greater role in former Yugoslavia. *Foreign Staff, London*

Stakes raised over Chernobyl

Ukraine's prime minister and the chairman of parliament have said they favour keeping the Chernobyl nuclear power station open unless the international community provides more money to help close it and supply new sources of electricity. The EU has estimated the cost at \$1.8bn. Ukrainian nuclear officials have claimed that undue pressure is being put on Ukraine with respect to safety, compared to other European countries. "If there is not enough money," said Mr Serhiy Parashyn, director of the Chernobyl station, "we freeze the process of improving safety." *Jill Barshaw, Kiev*

Poles suspend steel strike

Workers at Poland's Huta Warszawa-Lucchini steelworks, which is 51 per cent owned by Italy's Lucchini group, have suspended a seven-week sit-in strike after management agreed to pay talks. A strike leader said: "We decided that it would be unwise to keep striking during talks and the workers accepted this point of view." Lucchini's decision to drop the issue of the strike's legality had opened a way to agreement he said. The strikers are demanding a 30 per cent pay rise and rapid modernisation of the mill, claiming delays in investment have prevented productivity increasing and eroded their earnings. *Reuters, Warsaw*

Ulcer drug ruling welcomed

Astra, the Swedish pharmaceuticals group, yesterday welcomed an EU committee verdict endorsing the safety of its top-selling anti-ulcer drug, Losec. The committee was responding to German health authority concerns that injected versions of Losec could cause blindness. The committee for proprietary medicinal products concluded there was no causal link between the intravenous use of Losec and the reported side-effects experienced by some critically ill users. There was no case for recommending restrictions on the drug's use, it added. Astra has agreed to revise its information to doctors accordingly. Losec is one of the world's fastest growing medicines, with 1993 total sales worth SKr2.7bn (£1,050m). Intravenous versions of the drug account for just 3 per cent of sales as it is usually taken orally. The group's A shares, which have been overshadowed by the German claims in recent months, rose SKr3 to SKr170. *Christopher Brown-Hume, Stockholm*

Greece to alter tendering rules

Greece's public works minister, Mr Costas Gekhtonas, yesterday presented to parliament new legislation reforming tender procedures for road and port construction. The proposed law aims at defusing a dispute with the European Commission that could delay disbursement of more than Dr250bn (\$1.1bn) in European Union aid to Greece for infrastructure improvements, due to be transferred later this year. The public works ministry has already postponed tenders worth more than Dr100bn because of the Commission's objections to the way bidding is carried out. Several Greek contractors recently offered discounts of up to 80 per cent on EU-backed motorway and harbour projects, with the aim of recouping costs later by renegotiating the contract terms. The new law calls for tighter conditions on tendering, including examinations of companies' recent financial results, and stiff fines for contractors who fail to meet project deadlines. *Karin Hope, Athens*

New blow struck in 'tuna war'

More than 300 Spanish trawlers yesterday sealed off entry to the main domestic northern ports and also to the harbour of the French border town of Hendaye in protest against EU regulations over the use of drift nets. The blockade, which affected both the important industrial port of Bilbao and the port of Santander, a main entry point for tourist-laden ferries from Britain and France, marked an escalation in a running "tuna war" between Spanish and French fishermen. Last week the Spanish trawler fleet boarded a French vessel at sea and towed it back to its home port where the local authorities established that it had been using 5km-long drift nets, twice the length permitted by EU regulations. In retaliation, the French navy impounded a Spanish trawler which was subsequently fined for taking undersize fish. Spain's trawler fleet said it would continue its protest until the EU took firm action against the use of oversize nets. *Tom Burns, Madrid*

ECONOMIC WATCH

Greek current account boost

Greece's current account deficit fell sharply in the first four months mainly thanks to increased transfers from the European Union structural funds. The January-April deficit totalled \$91m (£80m), against \$654m for the same period last year, according to central bank figures. However, the underlying trade deficit worsened as exports fell by 12 per cent to \$1.56bn, maintaining last year's steady downward trend, while imports rose by 2.3 per cent to \$5.88bn. The 32 per cent rise in EU transfers, totalling \$2.4bn, was due to much-increased funding for infrastructure improvements, which is due to continue over the next four years. At the same time, income from shipping and remittances from Greeks working abroad declined by 6.5 and 1.3 per cent respectively, while earnings from tourists rose by just 2.3 per cent for the first four months this year. *Karin Hope, Athens*

Consumer prices in the west German state of Hesse rose 0.1 per cent in the month to mid-July for a year-on-year increase of 3 per cent, the state statistics office said. Baden-Württemberg reported that consumer prices were flat in July compared with June and up 3 per cent from a year earlier. North Rhine-Westphalia reported month-on-month inflation at 0.1 per cent, with the year-on-year figure up 2.7 per cent. These regional figures support forecasts that annual inflation in western Germany will drop below 3 per cent in July for the first time since April 1991.

Ukraine's industrial output was down 36 per cent in the first six months compared to the same period last year, but the downward trend has slowed since May, the statistics ministry said. The decline was largest in oil refining, chemicals, machinery, metal manufacturing and construction materials.

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IMF acts fast to woo Kuchma

By Jill Barshaw in Kiev and
Christy Freeland in London

The encounter between Mr Michel Camdessus, managing director of the International Monetary Fund, and Mr Leonid Kuchma, the new Ukrainian president, in Kiev today will be remarkable in two respects.

The visit, two weeks after Mr Kuchma's election victory, suggests the IMF - belying its careful image - is prepared to move quickly where Ukraine is concerned. Mr Kuchma's decision to make an IMF meeting one of his first acts in office is also a signal that Ukraine, which over the past three years has gained a reputation as one of the most economically backward republics, may have begun to appreciate the importance of economic reforms and links with western financial institutions.

IMF representatives caution that no agreements are scheduled to be signed but senior Ukrainian officials hope it could be a turning point.

If Kiev undertakes three fundamental

reforms - liberalisation of its exchange rate, an austere budget and continued monetary discipline - IMF officials say that within the next few months Kiev could receive a \$700m (£452m) systemic transformation loan. That agreement could pave the way for Ukraine to receive the \$4bn in financial assistance offered at the Group of Seven meeting in Naples.

"The opportunity to reach an agreement with the IMF is greater now than ever before in Ukrainian history," said Mr Volodymyr Kuznetsov, one of the president's senior economic advisers.

"We have a consensus on the necessity to conduct market reforms. Our new president has the political will which [ex-president Leonid] Kravchuk lacked. The only question is speed."

Mr Oleh Havrylyshyn, the Ukrainian associate director at the IMF who was an outspoken critic of the economic policies of the Kravchuk government, says "the IMF has been discussed more often in Ukrainian government circles over the past two weeks than it had been over the

past two years." "There's a sense throughout the country that there is a new opportunity for reform," he said.

"Ukraine now has the chance Poland, the Czech Republic and Hungary seized three years ago although, because of the economic deterioration over the past three years, Ukraine now faces a much more difficult task."

However, Mr Viktor Pynzenyk, a former cabinet minister and one of Ukraine's most zealous advocates of market reforms, warns that Mr Kuchma's economic programme will be largely shaped by appointees to his administration. He said Mr Kuchma could also face fierce opposition from the conservative parliament.

"From the standpoint of the fund, Ukraine is a priority," an IMF official said. "There is no delay and we are interested." Western diplomats in Kiev said the IMF has been under political pressure to reach an agreement with Ukraine, whose stability is seen as a keystone to recovery in the region.

Moslem radicals try to shatter peace process

The London bombing is the third such attack this month

By Julian O'Carroll in Washington and David Horowitz in Jerusalem

It is no coincidence that yesterday's bomb attack against the Israeli embassy in London came hours after Israel and Jordan had signed an historic peace accord in Washington.

The handshake and near euphoria of Israeli and Jordanian leaders in Washington should not conceal the fact that the Middle East remains a tinderbox. Far from subduing Islamic fundamentalism, the peace process has sharpened the awareness of Moslem radicals that they risk being marginalised unless they redouble their efforts to sabotage peace. This means striking not only at Israel but also at the moderate Arab regimes and leaders in Egypt, Jordan and the Palestine Liberation Organisation.

The peace process thus remains fragile and largely dependent on the continued political survival of men like Yasser Arafat, King Hussein and President Hosni Mubarak of Egypt. Israeli officials believe the London bombing is linked to a bomb in Buenos Aires last week that ripped apart a Jewish cultural centre and left 98 people dead and an explosion aboard a small plane in Panama on July 19 that killed 21, most of them Jewish businessmen. They say the new bombing campaign marks a con-

BOMBING INCIDENTS

Date	Location	Details
28.07.94	Car bomb explodes, killing constant guard of Israeli embassy in Kensington High St., London, leaving 43, one seriously.	
19.07.94	Twenty-one killed, mostly Jewish businessmen, when a commercial plane on a flight from Tel Aviv to Panama City exploded and crashed. The Israeli government said it was a bomb, but the Panamanian government said it was a crash.	
18.07.94	Bomb in van outside Jewish cultural centre in Buenos Aires, leaving 98 dead and 98 seriously injured.	
17.07.94	Small plane explodes in Panama, killing 21, most of them Jewish businessmen.	

certed, well planned attempt by Iran and the Islamic groups it supports not to be isolated by an emerging western alliance in favour of Middle East peace.

Israel has long wished for the development of a new alliance in the Middle East based on opposition to Iran and its export of fundamentalism. Part of Israel's peace drive in the past two years has been fuelled by the belief that if the Jewish state waited it would soon be faced by Islamic regimes less willing to compromise.

Mr Yitzhak Rabin, Israeli prime minister, yesterday warned the world was facing "a wave of extreme Islamic radical terrorist movements" with infrastructure throughout the

world which followed the radical teaching of Ayatollah Khomeini, the late Iranian religious leader. Mr Rabin described the threat as "Khomeinism without Khomeini" and said moderate Arab governments, Israel and western states were all at risk.

Nobody has a detailed picture of how the extremist groups operate but Israeli security officials believe they draw on a considerable network of contacts and cells abroad and on training bases in Iran, Pakistan and the south of Lebanon, virtually controlled by the Iranian backed Hizbollah Party of God. A Lebanese group called Ansar Allah, the Followers of God, claimed responsibility for the Argentinean blast.

The officials also believe that, while many of the groups operate independently, they are bound together by a religious philosophy which opposes Western decadence and seeks to establish Islamic republics throughout the Moslem world. The groups are opposed to the Middle East peace process and the moderate secular Arab leaders and want to see the state of Israel destroyed. They can attract young people with the promise of martyrdom for carrying out attacks.

The Hamas Islamic Resistance Movement is one such group operating in the Palestinian self-ruled areas and the Israeli occupied West Bank.

Israeli officials also blame Syria for continuing to allow extremists to operate from Damascus, charging that President Hafez Assad could do much more to halt Hizbollah and other Islamic groups if he so wished. Israel says Mr Assad is still pursuing a two-track policy using violence to force further concessions in peace talks.

Israeli officials said the international bombing campaign coincided with a renewed wave of anti-Israeli activity by Hizbollah gunmen in south Lebanon. On Monday, in what were described by the Israeli army as some of the worst clashes for months, Hizbollah mounted a series of attacks on Israeli positions inside



Buenos Aires: one of a series of bombings of Jewish targets recently

Israel's self-declared security zone in south Lebanon, killing an Israeli paratrooper and seriously injuring another. "It's all part of one connection in the struggle against Israel compounded by the desire to stop the peace process," said Reserve General Shimon Gazit, former army intelligence chief.

Ten Palestinian groups opposed to the Israeli-PLO peace process are

based in Damascus, including Mr Ahmed Jibril's faction which have threatened to assassinate Mr Arafat. Several of the groups issued statements yesterday condemning the Israeli-Jordanian accord as a crime and "black day of mourning".

As the Middle East peace is jigsaw falls into place the real battle against Islamic extremism is likely to intensify.

Storm of protest over Jerusalem clauses

By Julian O'Carroll in Washington

Israel's latest manoeuvres on Jerusalem, the most sensitive issue in Arab-Israeli peace talks, has ignited a storm of Palestinian and Arab protest against the historic Israeli-Jordanian peace declaration signed in Washington.

Palestinians attacked the agreement's recognition of King Hussein's special role over Jerusalem, which they see as their future capital, reflecting a decades-long rivalry between King Hussein and Mr Yasser Arafat, the chairman of the Palestine Liberation Organisation. King Fahd of Saudi Arabia, who also lays claim to special jurisdictional rights over the holy city, is also likely to have been angered by the accord.

The declaration says Israel respects Jordan's "present special role" in administering Moslem holy shrines in Jerusalem including the 1,300-year-old Dome of the Rock and the Al Aqsa mosque on the Temple Mount. Islam's third holiest site after Mecca and Medina in Saudi Arabia. The agreement also grants King Hussein, a direct descendant of the prophet Mohammed, a "high priority" in future negotiations over the permanent status of the disputed city, expected to begin in 1995 or 1996.

Angry Palestinians said Israel was attempting to depoliticise the issue of Jerusalem by turning it into a religious matter and had no right as an occupying power to cede any Palestinian rights to Jordan. The Palestinians want Israeli-occupied Arab East Jerusalem, including the old city, to become their capital. Israel however sees all Jerusalem as its "eternal and non-divisible capital".

The PLO said yesterday the agreement "predetermines the fate of Jerusalem and limits it only to a role in the Islamic holy places and ignores Jerusalem as a political, Palestinian, Arab, Christian and Islamic issue and ignores the fact that it is an occupied city."

Since Israel captured the old city and the West Bank from Jordan in the 1967 Arab-Israeli War King Hussein has continued to act as custodian of Jerusalem's Islamic sites and has paid for their upkeep. Last year the King paid \$3m for the restoration of the golden cupola of the octagonal Dome of the Rock.

The King's strategy has been to safeguard his family's role and block any competing claims from the Arab world. Israel is much happier with the King having a religious role over Jerusalem than with the PLO's political claims and has consistently denied PLO officials the right to visit Jerusalem or establish any institutions in the city.

Last week Mr Arafat attacked Israel's invitation of King Hussein, who has often been at loggerheads with the PLO chairman, to pray at the Al Aqsa mosque. Islamic fundamentalists in Gaza in a rare display of unity with the PLO also attacked the agreement.

HK backs away from bank reforms

By Simon Holberton in Hong Kong

The Hong Kong government has drawn back from comprehensive reform of the colony's banking system and has passed to its successor government in 1997 the issue of interest rate deregulation.

In February Hong Kong's Consumer Council called for the phased deregulation of interest rates governing small deposits, and for far greater disclosure of the true nature of bank profitability. The council said the banks reaped monopoly profits from an interest rate cartel, and that bank secrecy no longer served any purpose.

In the government's reply yesterday, however, Mr Michael Carland, secretary for financial services, said the administration had to strike a balance between competition in banking services and the need to maintain stability in the colony's monetary and banking systems. He said he also doubted if small depositors would benefit from deregulated interest rates.

The government's cautious response to liberalisation undermined its concern about the possibility of financial instability in the run up to Hong Kong's change in sovereignty in 1997. It was a large, if expected, victory for the banks which had argued vigorously against any change to the status quo.

In a concession to the consumer lobby, however, Mr Carland said that restrictions on the rates of interest governing time deposits could be lifted in 1995. These interest rates cover about 4 per cent of the Hong Kong dollar deposits.

Three ex-premiers back plan to set up new party in Japan

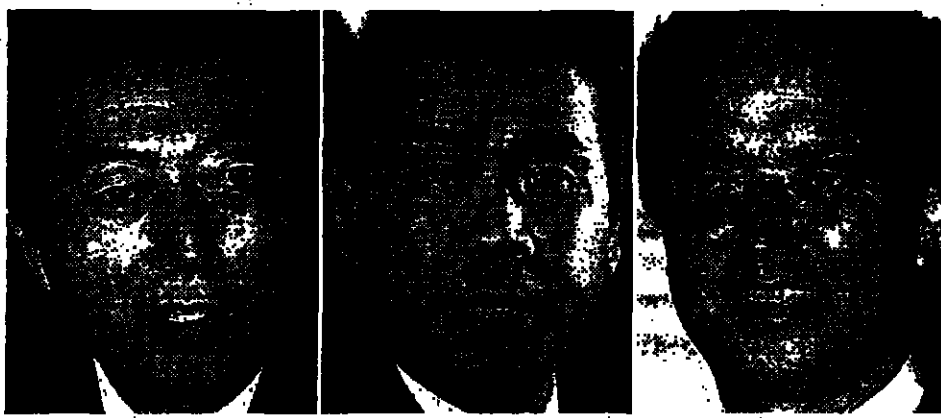
By William Dawkins in Tokyo

Three former Japanese prime ministers have agreed in principle to try to form a large centrist party, a step towards the regrouping of Japan's fragmented political opposition.

Mr Toshiki Kaifu, a pioneer of political reform who left the ruling Liberal Democratic party last month; Mr Tsutomu Hata, leader of the Japan Renewal party, the linchpin of the last coalition government; and Mr Morihiro Hosokawa, head of the Japan New party, met this week for their first discussion of joint policies.

Their lunchtime meeting, at a Tokyo hotel, is the first of four weeks of behind-the-scenes preparation by party officials, led by the JRP's Mr Ichiro Ozawa, the former coalition government's backroom strategist. Such senior figures would only meet if officials had already come to an outline agreement to join forces. Speaking in Washington, Mr Ozawa said he aimed to form the new party, to be larger than the LDP, by September.

The partners agreed to Mr Kaifu's proposals that the new party should support Japan's



Ex-premiers get together: (from the left) Morihiro Hosokawa, Tsutomu Hata, and Toshiki Kaifu

participation in the prevention of international disputes, uphold the Japan-US security treaty as the staple of Asian regional stability, and that it should promote UN controls on the arms trade. On domestic policy, Mr Kaifu called for deregulation and reductions in Japan's high consumer goods and land prices.

Broadly, the trio advocates a higher profile for Japan in international affairs and more radical economic deregulation than the current one-month-old

conservative administration. Mr Kaifu appears to have become the trio's informal figurehead. He was the previous coalition government's candidate for prime minister, in a parliamentary vote won late last month by the combined forces of the LDP and Social Democratic party. Mr Kaifu was LDP prime minister for just over two years until 1991, when he lost office because of his party's reservations about his eagerness to reform the corrupt political system. In the

event, the first non-LDP government for 83 years, under Mr Hosokawa, achieved parliamentary agreement on reform plans similar to Mr Kaifu's. If the blueprint for the new party does turn into reality, it will confirm a trend seen by many political observers for the present web of political alliances to simplify into two or three groups. These would include the LDP and the new centre-right party, similar to the US Republicans and Democrats, plus a left-wing fringe.

attached conditions to the price rises, including rationalisation and cost reduction programmes by companies and public service organisations.

Meanwhile, workers' union groups, long supporters of the Social Democratic party, revealed yesterday that they were ready to drop their endorsement if the SDP goes into the next election together with the LDP.

Cautious line on Japanese recovery hopes

By Gerard Baker in Tokyo

The recovery of the Japanese economy is continuing, but could be knocked off course, according to a report presented to the cabinet yesterday by the government's Economic Planning Agency (EPA).

In a wide-ranging review of the country's longest recession since the second world war, the EPA's economic survey of Japan argues that structural reforms are needed to lift long-term economic prospects.

The report is highly circumspect about immediate prospects. While it points to recent increases in consumer spending and falls in stock levels as encouraging signs, it fails to endorse the optimism of the Bank of Japan, which stated last week that the economy was headed for recovery.

"We hope that bright spots will spread through various sectors of the economy and we think that is possible," was as far as one official was prepared to go.

This time last year the EPA argued that the economy had almost hit bottom, only to see its forecast derailed by the sharp rise of the yen in the second half of the year. Anxious not to repeat the error, the report this time says the yen's further appreciation in the last few months again threatens the recovery.

However, agency officials pointed to several factors likely to limit the damage done by the high yen. The yen's rise has been smaller than last year and has been principally against the dollar. The world economy is also much stronger this year.

But the EPA is less optimistic about another threat to the recovery: the weak state of corporate balance sheets. Debt-burdened companies are reluctant to undertake big investment projects, and those that have done so have found banks unenthusiastic about lending, given their own asset quality problems.

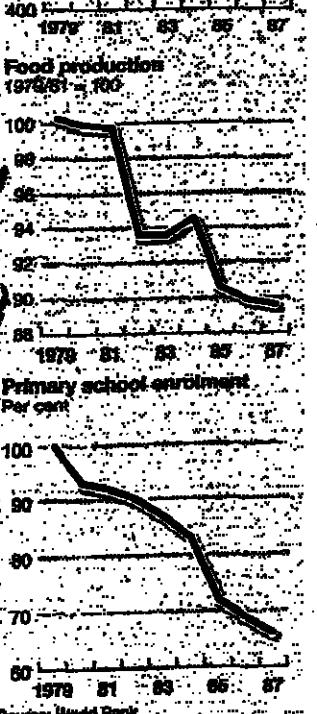
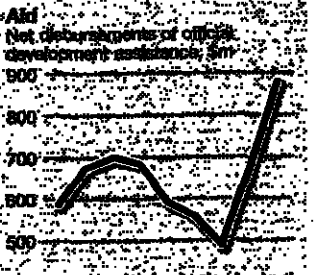
The EPA also says "disinflation" - defined as a low or negative rate of inflation - has gone beyond the extent normally seen in a recession, as weak demand was compounded by a strong currency and the growth of discounting. Though falling prices were good news for consumers, they threatened profit margins and led to a further deterioration of corporate balance sheets.

The report says the protracted recession has exposed a number of structural weaknesses in the economy that had been masked by the rapid expansion during the so-called bubble years. Companies need to review shibboleths such as lifetime employment and seniority-based pay if they were to grow, the report says.

The EPA also announced yesterday that a key economic activity index stayed above the "boom or bust" line for the third successive month in May. The coincident indicator index stood at a preliminary figure of 60 per cent, unchanged from April's figure.

The index comprises a basket of figures such as industrial production and consumer demand. However, agency officials warned that early indications for the June figure suggested it would slip below 60 per cent.

Tanzania: the legacy



World Bank laments its Tanzania role

Hans Georgeson and Michael Holman on an internal study that admits to uncritical support for Nyerere

If countries were assessed with equal conviction policies which - as it later privately acknowledged - contributed to the economic crisis which gripped Tanzania, and from which it is still battling to recover.

Thirty years after independence, and some \$15bn worth of aid later, a country which once aspired to self-reliance has become aid dependent, with nearly 50 per cent of its recurrent and development budget funded by donors.

And a country once in the vanguard of African socialism has become a salutary example of the failure of state-controlled economies.

Today Tanzania, like most of Africa, has abandoned unrealistic aspirations and a discredited economic system, and embarked on a protracted, painful path of reform, based on the principles of structural adjustment, backed and monitored by the World Bank and the International Monetary Fund.

But a hitherto unpublished Bank evaluation of Tanzania's formative years, produced in early 1990, contains at least one reason to be cautious about today's financial orthodoxy.

The report makes clear that in the late 1960s and until the early 1980s, the Bank pursued

with equal conviction policies which - as it later privately acknowledged - contributed to the economic crisis which gripped Tanzania, and from which it is still battling to recover. Two individuals - both powerful, charismatic personalities - permeated the document, although the one is never named and the other makes rare appearances: Robert McNamara, former US secretary of state who as president of the Bank between 1968 and 1981 did more than any man before or since to shape the world's largest development agency, and former President Julius Nyerere, Africa's eloquent intellectual who attempted one of Africa's most ambitious pieces of social engineering.

The tough American both encouraged, and sometimes indulged, judging by the Bank report, Mr Nyerere in a well-meaning but ultimately disastrous programme, funded by the Bank and bilateral donors led by the Scandinavian countries.

None of these donors challenged the conventional wisdom, though by the mid 1970s it was apparent that Mr Nyerere's vision was turning

out to be an egalitarian folly. Comments from the report, as outspoken as a self-appraisal as any that has seen the light of day, throws fascinating light not simply on Mr Nyerere's failures, but on the Bank's complicity in a multi-billion aid project that went sadly wrong.

When Julius Nyerere, Edinburgh University graduate, persuasive and eloquent,

unveiled his socialist blueprint in 1967 in what was called the Ujamaa declaration, one of his first objectives was to regroup the country's scattered peasant families into villages.

It is a measure of Mr Nyerere's persuasive powers that he was able to carry out one of Africa's largest compulsory resettlement schemes with not a single leading donor's demurring, at least in public. By 1977, 14m peasants and families had been forcibly relocated to Ujamaa villages in an effort to make water, health and education more accessible.

Initial gains in literacy, primary school enrolment and life

expectancy in the post-independence era seemed to validate Mr Nyerere's approach.

But by the mid-1970s several things were becoming clear: Tanzania was living beyond its means; aid projects were seldom self-sustaining, and donors were having to maintain as well as fund projects, such as roads; the state-dominated industrial sector was increasingly inefficient; and

agricultural production was falling. The production of cashew nuts, for example, fell by 88 per cent in the five years from 1975 as a result of "villagisation".

As a key passage in the report points out, "Tanzania's unprecedented access to concessional flows of external capital has allowed it... to maintain a high rate of largely ill-conceived and uneconomic industrial investment. The cushioning effect of this access to funds, at least until the late 1970s, reduced the government's receptivity to external advice for badly needed reforms in the country's eco-

nomic planning and management system, policy framework, and institutional arrangements."

It also highlights a problem still common among development agencies - government, multilateral and voluntary - in Africa today: a reluctance to speak bluntly and frankly about recipient government shortcomings.

"No attempt was made to communicate to the political leadership at the highest level privately the true dimensions of the situation - at least not until the late 1970s," says the report.

It goes on: "The Bank's continuous exhortation of the donor community to provide assistance... has sustained a constant inflow of official aid that helped maintain irrational domestic policies."

The decline in the country's industrial sector was largely a result of nationalisation, but the exercise was aided and abetted by what the report calls "the Bank's approach toward and unconditional sup-

port of Tanzania's industrialisation effort [which] did little, if anything, to forestall the sector's present morass."

By the mid-1980s Tanzania's honeymoon with the donors was ending and overall aid levels have been falling over five years, reflecting a combination of recession in the developed economies, aid fatigue and dissatisfaction with Tanzania's performance.

Today, with Tanzania's per capita incomes more than halved since 1980, the government of President Ali Hassan Mwinyi is trying to redress the legacy with mixed results.

Increasingly institutionalised corruption, permeating the very top echelons of government, is threatening to undermine fragile macro-economic stability.

Evaluations of the effectiveness of aid to Tanzania are being undertaken by Sweden and the Netherlands. Denmark and Finland are planning similar exercises.

Many donors are still cautious in their public comments, though a Scandinavian foreign ministry official acknowledges that its aid programme "supported Tanzania through a period when, in retrospect, we probably shouldn't have".

NEWS: THE AMERICAS

Washington fights to save crime bill

By Jeremy Kahn
in Washington

The White House and Congress are working feverishly to salvage the crime bill, which is stalled amid bitter disputes over race, the death penalty and a proposed ban on assault weapons.

The proposed, multi-faceted law passed the Senate and House in varying forms last spring but has been held up for weeks in a joint House-Senate conference committee. After a week's postponement, the committee was due to meet yesterday for what could be final negotiations.

If the committee does not this week release a bill which both chambers of

Congress can pass, it is unlikely to be enacted this year, dealing a big blow to the Clinton administration.

President Bill Clinton met leaders of the influential congressional Black Caucus yesterday to try to work out a compromise on a provision in the House version that would allow defendants to use statistics to challenge the death penalty as racially biased.

Backers of the provision say the death penalty is applied disproportionately to black people.

The Senate version of the bill does not contain this provision, and Senate Republicans have threatened a filibuster to kill any crime bill that includes "racial justice" provisions.

The White House initially favoured the so-called Racial Justice Act but has since retreated in the face of fierce Senate opposition, outraging the Black Caucus, whose votes may be essential to passing the crime bill in the House.

The administration last week offered a compromise: Mr Clinton would sign an executive order mandating federal prosecutors to consider race in death penalty cases and appointing a commission to study the problem.

But the Black Caucus balked at the deal, vowing to fight on. It was not clear whether the meeting yesterday with Mr Clinton had changed their minds.

Also causing trouble for the bill is a

proposed ban on 19 kinds of assault weapons. The ban passed both the House and Senate, but is adamantly opposed by the Mr Jack Brooks, House chairman of the conference committee, who has attempted to weaken the ban.

Many gun control advocates in both Congressional houses think the ban has the votes to pass in the final version of the bill. They feel the conference committee should not attempt to compromise with Mr Brooks, but the latter could further stall the crime bill in the committee, increasing the chances time will run out for it this year.

The White House is eager to get a bill onto the floor of Congress this week to clear the decks for health care reform.

Mexican candidate injured in crash

By Damian Fraser
in Mexico City

The main leftist opposition party in Mexico has demanded a meticulous investigation of a road accident that left its candidate for governor in the southern state of Chiapas seriously injured, and three of his colleagues dead.

Mr Armando Avendaño, of the Party of Democratic Revolution (PRD), was reported to be in a serious condition after his car had collided with a lorry on Monday morning. He has a punctured lung, broken ribs and facial and neck injuries, but was reported to be conscious.

Mr Avendaño's wife said that she believed the crash had been planned and was part of a campaign against the movement for peace in Chiapas. Mr Avendaño, an editor of a local newspaper in the town of San Cristóbal de las Casas, has been attacked by local ranchers and other landholders for his good relations with the Zapatista rebels who began an insurrection in Chiapas on January 1.

The PRD candidate was on his way to the state capital for a breakfast with candidates from other parties. The lorry that hit his car was driven on the wrong side of the road and had no number plate. Its driver fled soon afterwards, apparently unarmed.

The state attorney-general, believing that the accident was caused by the lorry being driven too fast around a corner, insisted that there was no indication of the crash having been planned. However, he promised an "honest, clear and transparent" investigation. The lorry driver has been identified.

The crash has raised fears of further instability in the state of Chiapas, before the Mexican presidential election and the state election on August 21. Zapatista rebels control a small part of the state and are planning to hold a "convention for democracy" early next month. The PRD has agreed to send observers.

US consumer confidence remains high

By Michael Proulx
in Washington

US consumer confidence edged lower this month but remains close to a four-year high, the New York Conference Board, the business information group, said yesterday.

Separate figures on employment costs indicated little evidence of upward pressure on wage inflation despite the robust economic recovery.

The board said its index of consumer confidence fell to 91.5 against 92.5 in June. The decline was entirely accounted for by slightly less optimistic expectations for future growth and jobs; consumers' assessment of current economic conditions improved slightly.

The survey is based on a sample of 3,000 households.

Mr Fabian Lindero, for the board, said the rise in the expectations component of the index "suggests a continuation of steady, moderate economic

growth in the second half of the year". He noted encouraging shifts in buying intentions: plans to purchase cars registered a solid gain after declines in May and June; plans to buy homes were also up, although not to levels of earlier this year. Consumers, however, said they were less likely to buy household appliances.

The employment cost index - a broad measure of labour costs that includes fringe benefits as well as wages and salaries - rose 0.9 per cent in the three months ending in June, against 0.7 per cent in the previous quarter. The annual increase for private industry workers was 3.4 per cent in June against 3.3 per cent in March.

Wage and salary inflation has edged up slightly since the end of 1992 but the impact on overall employment costs has been more than offset by sharp fall in inflation of benefits.

Ford joins 'hybrid' electric car project

By John Griffiths

Ford is joining seven US-based advanced technology companies in a five-year, \$132m programme to develop prototype "hybrid" electric vehicles.

Such vehicles are seen as possibly the best available compromise between the need to reduce exhaust emissions, best achieved by electrically powered vehicles, and the severely restricted range offered by battery cars using current technology.

Half the funds for the project are to be provided by the US energy department.

"Hybrids" contain two power units; one, typically a small petrol engine, runs at a constant speed to generate electricity which is either stored in battery packs for electric-only operation in cities or converted by the second

motor directly into mechanical energy for use on highways.

Ford said last night the project aimed to investigate methods of using alternative fuels as well as increasing fuel economy and reducing emissions.

Ford's partners in the project include GE's research and development centre, which will explore energy storage in the vehicles; and Minneapolis-based Oron Corporation, one of the world's largest producers of mobile power generation systems.

The project comes against a background of increasing hostility by the North American motor industry towards stringent anti-pollution standards being introduced in California.

These require carmakers to have at least 2 per cent of their sales made up of "zero-emission" (battery-powered) cars from 1996.

Grandees on parade

Jurek Martin at the Whitewater hearings, day one

If the first morning of the Whitewater hearings in Congress produced few fireworks, it offered even so an absorbing public contrast between three men - Mr Henry Gonzalez, Mr Jim Leach and Mr Lloyd Cutler, all in their respective ways Washington institutions.

Mr Gonzalez, 78-year-old, balding, Democratic chairman of the House banking committee, is a cantankerous Texan, one of Washington's great mangers of the English language, but a ferocious investigator of malfeasance in financial institutions. Usually ruffled, yesterday he was dressed in an immaculate white summer suit.

Mr Leach, 52, is a previously mild-mannered, moderate Republican from Iowa who has made Whitewater his passion. He, too, was dressed for the occasion in smart dark suit and tie; the old sweater and jacket that used to be the trademark of this anglophile former Rhodes Scholar had been left in the closet.

Mr Cutler, the white-haired 76-year-old White House legal counsel, is the epitome of Washington superlawyers, an adviser to presidents beyond number, opera buff and bon vivant.

He was dressed as usual, as if he were in court, exuding authority and calm.

It was Mr Gonzalez, with the power of the gavel, who struck first.

He bluntly ruled out of order

any questioning of witnesses on the circumstances relating to the suicide last summer of Mr Vincent Foster, then White House deputy legal counsel. A Republican demurred but the chairman rammed through his edict by voice vote - all 31 Democrats concurring and all 19 Republicans opposing.

He then laid down the rest of the rules, as specified by the custom of his committee, the dictat of both the House and the bipartisan leadership of Congress and by agreement with Mr Robert Fiske, the independent Whitewater counsel.

These were five minutes per committee member for questions, though time could be yielded by one congressman to another; no straying from the committee's brief to confine itself only to the "Washington end" of the affair; and any witness facing a question outside the remit would be told he was under no obligation to reply.

"As I have said repeatedly, ad nauseam, we're not here to prosecute anybody," he pronounced.

And just in case some poor soul had not received the message on the other side of the aisle, he castigated Republicans for daring to leak to the press material from Mr Fiske's investigations.

Mr Leach sat quietly through this, but his turn came. He spoke at length - and it was but a fraction of a longer statement, with documentary mate-

rials attached, submitted for the record. He is a man who recently has tended to blow hot and cold on Whitewater, hot on moral outrage but much cooler to some of the wilder conspiracy charges bandied around by right-wing Republicans.

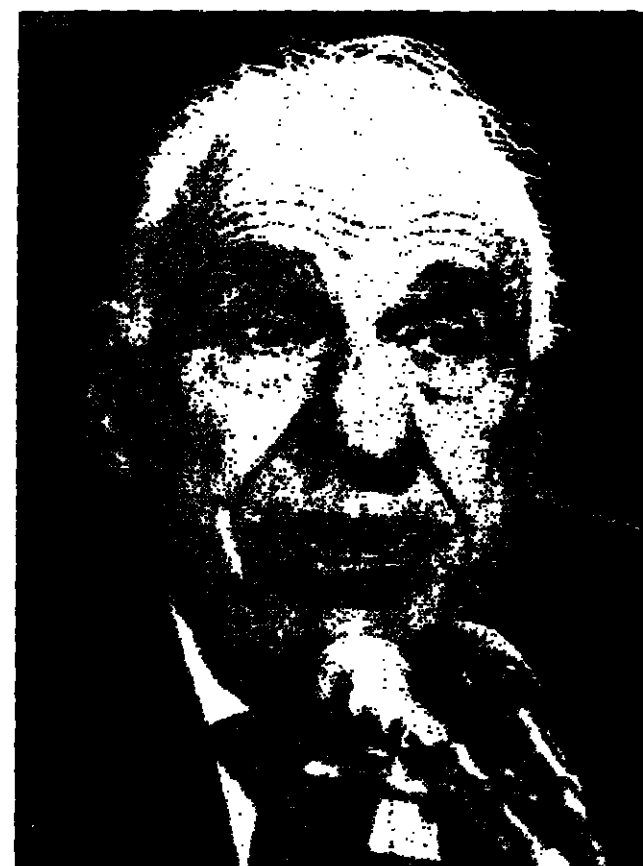
Whitewater might not be Watergate, Mr Leach said, but, in partisan tones, matching those of the chairman, it was the product of "one-party government".

It was also "about the arrogance of power" by a government "run by a new political class which takes short cuts to power with end runs round the law".

He complained bitterly about what had been proscribed from the committee's hearings, yet agreed that they should not come to resemble a trial. Yet there were unanswered questions about contacts and criminal referrals that could not be ignored.

Public ethics were not an "incidental" matter but at the core of a functioning democracy. "In terms of symbolism, both of the disjunction of private and public ethics and as a case study on how not to handle a scandal, Whitewater takes on more significance... accountability is in order but a constitutional crisis is not."

Mr Cutler would be very good if there were a such a crisis (he has over the years made a number of proposals for improving the constitution)



Henry Gonzalez: A ferocious investigator of malfeasance

FRANK AP

but on this occasion his brief was calmly to present the facts as he had ascertained them during the course of his review.

He offered the Whitewater hounds some already well-chewed bones, speaking of "meetings that should not have happened... subjects that should not have been discussed," but no raw meat. Whatever had been said by whom, to whom, when and

where did not result in any action by a regulatory agency connected even remotely with Whitewater that could possibly be interpreted as helpful to the president or anybody else.

With that, Chairman Gonzalez metaphorically banged the gavel again and ordered all the committee off to hear King Hussein of Jordan and Prime Minister Rabin of Israel address a joint session of Congress.

NEWS: WORLD TRADE

Taiwan Gatt move puts Beijing on spot

By Frances Williams in Geneva

Taiwan yesterday said it was prepared to join the General Agreement on Tariffs and Trade with the status of a developed country in a move that will increase pressure on China to how to tough entry terms for Gatt membership.

The announcement, to the Gatt working party negotiating Taipei's membership, comes three days before a meeting of the working party for China to discuss the basic elements of China's accession protocol.

Beijing, which has been negotiating Gatt membership since 1987, has angrily rejected Washington's insistence that as a leading exporter it should take on the obligations of a developed country.

The Chinese government is anxious to rejoin Gatt, which it

left in 1950 after the communist takeover in China, by the end of the year to qualify as a founder member of the World Trade Organisation, Gatt's successor. However, officials have said Beijing will not push for membership "at any cost".

China is seeking developing country status, entitling it to a lengthy transition period to phase in market-opening commitments.

Beijing says it is preparing a "final" trade liberalisation offer to put to Gatt members. Intensive negotiations are expected in September - the deadline for agreement on entry terms if China is to join before 1995.

Following pressure from Beijing, there is an understanding that Taiwan will not be allowed to join the world trade body

before China does. Known in Gatt as Chinese Taipei, Taiwan began accession talks in 1992. These have made steady if not spectacular progress, while the Chinese talks have been repeatedly delayed by rows with the US over trade and human rights issues.

Trading partners reacted coolly yesterday to Taiwan's plea for exceptions to the developed country rule, but agreed there had been significant recent improvements in its offers to reduce barriers to foreign goods and services.

Taiwan said yesterday it would scrap all geographical import restrictions and was ready to join Gatt's government procurement code. However, Taipei is asking for special treatment for fish, rice and port taxes.

Editorial comment, Page 11

Daimler-Benz plans Vietnam investments

By John Griffiths

Daimler-Benz plans to invest DM250m (\$159.2m) in commercial projects in Vietnam, including vehicle production, over the next five years.

The German vehicles to aerospace industrial group expects to conclude by as early as next month an agreement on the biggest single project - a DM700m joint venture to produce 10,000 commercial vehicles and cars a year.

The company said yesterday it was in detailed negotiations with several potential partners in the vehicles project, which would be based at a plant near Ho Chi Minh City in south Vietnam. The plans provide for the plant to go on stream at the end of next year, producing mainly light trucks and minibuses but including annual output of around 1,000 cars.

Other projects disclosed so far within

the DM250m investment are between DM10m and DM15m in energy distribution systems by the group's AEG subsidiary and DM25m for an exhibition centre in Hanoi by Daimler-Benz Inter-Service's industrial services arm.

The Daimler-Benz venture is the latest of several Vietnamese projects put in train by western vehicle makers keen to take part in Vietnam's accelerating economic growth.

Renault has signed a letter of intent to begin car assembly with kits supplied by Renault from France through Vietnam Motors, a joint venture between Columbian Motors of the Philippines, which holds a 55 per cent stake, Nichimen of Japan with a 15 per cent stake and a Vietnamese state company.

Vietnam Motors already assembles some Mazda models and is to start assembly of BMW's mid-sized 5 Series

cars at its plant near Hanoi in September.

In May Mitsubishi Motors became the first Japanese carmaker to enter a joint venture in Vietnam when it received approval from Hanoi to form a joint vehicle manufacturing and sales venture with Proton, the Malaysian carmaker in which it holds a minority stake, and Vietnamsorex, a Vietnamese national company.

The venture, Vins Star Motors, in which Mitsubishi Motors, Mitsubishi Corporation and Proton will each hold stakes of 25 per cent, is to assemble the Mitsubishi Delica minibus. Production is scheduled to start next March.

France is seeking to increase its trade with Asia to about 7 per cent of the regional market. Mr Edmond Alphandery, the economy minister, said yesterday, John Ridding adds from Paris.

Mr Alphandery, who was speaking in Singapore after visits to Vietnam and Cambodia, said France must "more than double" its market share in Asia. He described French industry's trade with the region as "far too small" and said it must be brought in line with France's share of international trade, which stands at seven per cent.

In Vietnam Mr Alphandery signed a financial agreement which provides FF445m (\$79.2m) of preferential loans. The credit will be used to finance work in water treatment, telecommunications, energy and health. He also signed an agreement cancelling FF1.2bn of debt and rescheduling another FF1bn.

In Cambodia, he has agreed on preferential credits worth about FF64m. He said Cambodia's debts to France would be discussed at the Paris club of creditor nations.

All systems go for Oresund fixed link

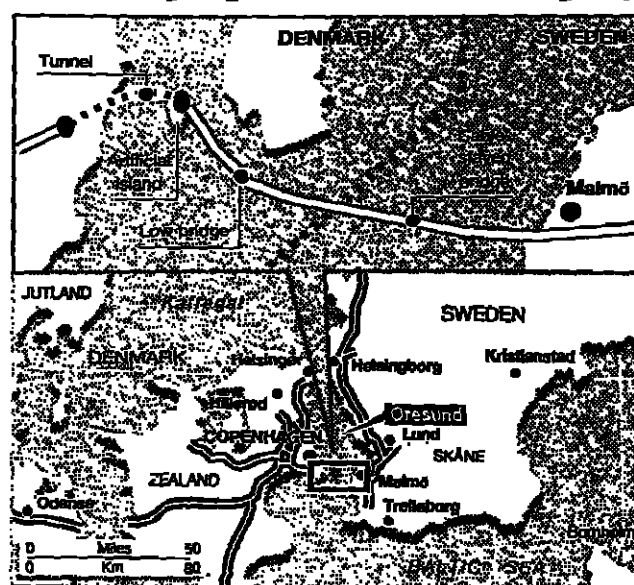
Hugh Carnegie on tender preparations for the project joining Sweden and Denmark

Work is accelerating on the tenders for the first fixed link between Sweden and Denmark now that the Swedish government has at last given the go-ahead to one of Europe's biggest infrastructure projects.

The Oresund Consortium, the joint Swedish-Danish group which is running the project, has published a list of 14 pre-qualified construction consortia, involving some 50 Scandinavian, European, US and Turkish companies. They were picked from a list of 23 to qualify for bidding for the four main parts of the 16km combined bridge-tunnel, road-rail link across the Oresund channel dividing the cities of Copenhagen and Malmö.

After a delay of about a year, caused by a tortuous row within Sweden's right-centre coalition over the environmental effects of the link, the first tenders will go out in September, with the first construction work due to begin next summer. If all goes according to the revised plan, the link should open to traffic in the year 2000, a year later than intended when in 1991 the two governments signed their treaty to build the link.

Taken in tandem with the DKR20bn (£2.1bn) Storebælt bridge-tunnel link between the Danish islands of Zealand and Funen, due to be completed



within the next three years, the Oresund link will for the first time provide an unbroken land connection not just between Sweden and Denmark, but also between Sweden and its main export markets in Germany and the rest of Europe. The commercial benefits, especially for the Copenhagen-Malmö region, with its 3.2m inhabitants, are expected to be considerable.

But stringent environmental specifications placed on the project, principally by the Swedish authorities, have

already forced the Oresund consortium to make significant changes in the construction plans to ensure the link will be, in the words of Mr Carl Bildt, the Swedish prime minister, "the greenest bridge in the world".

This will add DKR800m to the estimated DKR12.2bn the coast-to-coast tunnel and bridges are projected to cost in 1990 prices. Associated land works on both the Swedish and Danish sides will add DKR50m.

The Oresund link is essentially a public sector project,

although it will receive no direct state funding. It is to be financed by borrowing on international markets, backed by government guarantees. Payback is scheduled to take 24 years from opening, based on annual revenues (in 1990 prices) of DKR300m jointly from the Danish and Swedish state railway companies and annual tariffs from a projected 3m vehicle crossings.

The chief environmental demand made by the Swedish side was that the bridge section of the project, and the artificial islands it involves, would have no net effect on the vital salt-water flows through the Oresund in and out of the Baltic Sea. This so-called "zero solution" is aimed at ensuring no change in the oxygen content of the already badly polluted Baltic waters.

Second, the contractors must ensure that spillage from the extensive dredging works does not exceed 5 per cent of the excavated material.

These conditions are "very tough," says Mr Ingemar Björnsson, project director at the Oresund Consortium. "But we have shown that it is possible through a combination of methods. The restrictions will be monitored to make sure we work within the limits set - and these conditions will be among the evaluation criteria when

we select the contractors." The environmental conditions entail four main changes: first, extensive dredging will be done off the Danish coast to compensate for the hindrance to water flows caused by the islands and bridge pillars.

Second, a planned artificial island 4km long will now be split into two islands with a 600m bridge between them. Third, the tunnel - an immersed concrete-section tunnel sunk in a sea-bed trench linking the Danish side to the artificial islands - will be lengthened by 400m to 3,700m. Last, a man-made peninsula on the Danish side will be narrowed by 200m.

The first tender dates - for the dredging/landfill building work and the tunnel - will be set for December and next January, with contracts to be signed in May. The tender dates for the 1.09km cable-stayed elevated bridge and the 6.4km of bridges leading to the high bridge are set for March next year.

After all the delays, Mr Björnsson and his colleagues are anxious to get on with the work. Not least because they are fed up with the hour-long journey they must now make almost daily via ferry between Malmö and Copenhagen city centres. Once the Oresund link is up and running, the trip will take 25 minutes.

Saudi refinery contracts run up against delays

By Robin Allen in Abu Dhabi

The incomplete takeover of Petromin, the Saudi Arabian government's former domestic crude refining and marketing agency, is adding to difficulties over the supply and pricing of reduced crude and heavy fuel oil feedstock from Saudi Aramco's Yanbu refinery.

It is also aggravating delays behind the formal award to Chiyoda Petrostar of a \$48m (\$162m) turnkey contract to build the kingdom's second - and much-needed - Lube refinery.

Chiyoda Petrostar is the Saudi affiliate of Japan's Chiyoda Corporation.

Industry sources say that Saudi Aramco has still not completed details of its takeover of all Petromin's refining operations. Petromin, which was absorbed into the Saudi Arabian Marketing and Refining Company (Samarec), was itself taken over by Saudi Aramco in 1989.

"These problems are aggravating the already sensitive talks on the price of feedstock

and of return streams, the elements of unused base oil which would be returned by Luberef to Saudi Aramco," industry sources said.

The client, Petromin Lubricating Oil Refinery Company (Luberef), a 70/30 joint venture between Petromin and Mobil Corporation, had been expected to award the contract last April.

Luberef already owns and operates one refinery producing 1.8m barrels a year of base oil, which blends, including Petrolube, another Saudi-Mobil joint venture, break down to produce engine oils, anti-freeze, and transmission and hydraulic fluids.

Domestic consumption of lubricants is now some 2.2m barrels a year, and the kingdom, the world's largest exporter of crude oil, is now having to import base oils. Domestic demand is rising at a rate of between 3 and 4 per cent a year.

The new 2m barrel-a-year Lube refinery would cover growing domestic consumption as well as enable Saudi Arabia

to export base oils for the next 15 years.

Luberef's general manager, Mr Wolf Ziedler, said that there were still arrangements to be finalised before the project could go ahead, including pricing and supply of feedstock, dealings with contractors and with government authorities.

The value of Degassed gas feedstock is calculated according to formulas of market prices for crude plus processed oil by barrel and by tonne. Residual problems from some Petromin operations add to the pricing difficulties.

Without future cashflow guarantees and a pricing formula showing evidence of these satisfactory to the client, commercial banks would be reluctant to finance the plant's construction.

Saudi Arabia's Public Investment Fund and/or the Saudi Industrial Development Fund could provide a portion of the funding. Equity finance from the joint venture partners, plus commercial bank loans, would make up the balance.

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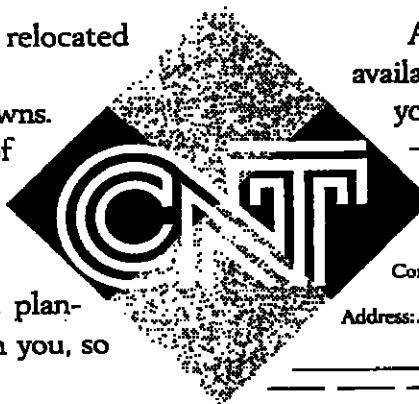
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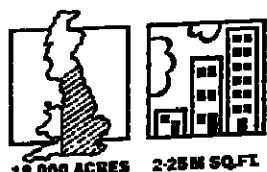
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NEWS: UK

Caller ID plan agreed by OfTel

By Andrew Adonis

British Telecommunications will make it possible from November for people to identify the number of callers before answering the phone, and for phones to store the numbers of unanswered calls.

Under an agreement with OfTel, the telecoms watchdog, callers will be able to prevent the display of their number by dialling "141" before the number.

A blocking facility will also be available, and BT is examining the possibility of offering a service which automatically rejects calls where the caller has blocked the display of his or her number.

BT will offer two separate services, each priced at between £4 and £7 a quarter. OfTel said it was concerned that BT provide facilities for competing phone operators to offer the same services if requested.

Negotiations are taking place between BT and competitors about an interconnection arrangement. In pilots of the service in Scotland and Bristol the number-barring facility was little used and most users said they could see no reason for anyone to withhold their number information.

Export data signals steady recovery

But Gillian Tett reports on signs of inflationary pressures ahead

Further evidence that UK manufacturers are witnessing steady economic recovery emerged yesterday after a business survey reported that improving exports contributed to the fastest rise in manufacturing order books for almost six years.

But a sharp rise in the number of businesses expecting to raise prices and indications of capacity constraints in some manufacturing sectors provided one of the first hints that this faster growth might fuel inflationary pressures later this year.

With Mr Eddie George, governor of the Bank of England, due to hold his monthly monetary meeting with Mr Kenneth Clarke, the chancellor of the

exchequer, tomorrow these findings are likely to add to City speculation that interest rates may be raised in the coming months.

The Confederation of British Industry's quarterly industrial trends survey yesterday showed that one in five manufacturers expects to raise prices in the next four months, while only 8 per cent expected to reduce them.

This marks a rise in price expectations from the previous survey, conducted in April, when slightly more manufacturers were expecting to reduce prices than raise them.

Sir David Lees, chairman of

the CBI's economic affairs committee, yesterday admitted that this rise in expectations was "worrying". But he called on the government to hold interest rates steady until at least the autumn.

He said: "In our judgment, the inflation pressures are not sufficiently serious to suggest that monetary policy should be tightened immediately."

The price rises, he pointed out, were occurring from a relatively low base, and the continued intense domestic competition meant that manufacturers had generally not been able to make price rises stick in recent months, even where they had

been expecting increases. The Treasury yesterday welcomed the figures as evidence that the recovery was "becoming broader and stronger."

With the government hoping that the recovery will become more export-driven later this year a steady rise in the reported level of export performance in the survey was "encouraging", officials said.

Meanwhile employment expectations rose in the last quarter, the survey showed, suggesting that manufacturing employment may pick up later this year.

Nevertheless, concerns about the rise in price expectations

were yesterday fuelled in the City by hints that bottlenecks were developing in some manufacturing sectors. The number of firms working below capacity fell back to 54 per cent in the last quarter, compared to 59 per cent in April, the survey said.

Meanwhile, the survey gave little sign that UK companies were yet seriously addressing potential capacity constraints. Investment intentions grew at a relatively weak rate last quarter, with only slightly more firms expecting to increase their investment on plant and equipment than expected to reduce it.

Watchdog urged to ignore report on fees

By Norma Cohen, Investments Correspondent

The Office of Fair Trading is under growing pressure from leading City firms and fund managers not to publish a controversial academic report which concludes that securities underwriting fees are too high.

The securities firms and fund managers, who share in a standard underwriting commission of 2 per cent of all capital raised in a rights offering, fear the report will tarnish the reputation of the City of London. The London Investment Banking Association and the

Institutional Fund Managers Association are among the organisations which have sought meetings with the OFT to express their views.

The OFT commissioned the research 18 months ago after it began an inquiry into why all companies had to pay the same underwriting fee to sell new shares, despite the fact that issuing companies present widely varying degrees of risk to underwriters.

"How frequently does the OFT engage in academic debate?" said one City official who said he had met with the OFT about the report. "The danger is if they publish it, it will sound as

though they endorse its views." "It could appear that this is another City scam," said another official, arguing that ill-informed press commentators are likely to interpret it that way.

The official argued that the report is flawed, partly because it does not take account of the cost of the capital which securities firms must provide to participate in underwriting. Moreover, he said that although underwriting commissions are standard, varying degrees of risk are reflected in the size of the discount at which new shares are sold.

Those familiar with the research said it draws no conclusions about whether

the standard fee is the result of anti-competitive activity and it is believed the OFT has found no evidence of a cartel. However, in private conversations, OFT officials were said to have expressed concerns about a "complex monopoly" which may be operating. If there were evidence of a cartel, it could refer the matter to the Monopolies and Mergers Commission for review.

It is expected that the OFT will publish the report within the next two months, saying it wishes to encourage public debate. However, it is expected to simultaneously publish a summary of City criticisms of the research.

Britain in brief



Sinn Féin ban to go to Luxembourg

Two High Court judges yesterday referred the government ban on the president of Sinn Féin, the political wing of the IRA, visiting mainland Britain to the European Court of Justice.

The European judges will be asked to lay down legal guidelines on the competing interests of Mr Gerry Adams' right to move freely within the territory of member states, including the UK, and the UK government's right under European law to take action against him in the interests of national security.

A key issue is whether the exclusion order made last October under the Prevention of Terrorism (Temporary Provisions) Act 1989 was "disproportionate" when Mr Adams only wanted to pay a brief visit to parliament to discuss the political situation in Northern Ireland with MPs.

Judges ruled there were "seriously arguable" questions of European law which should be considered by the European Court.

diversity of the British media. It is important that it develops and remains," said Mr Hargreaves yesterday.

Mr Hargreaves has received a commitment from the board of Newspaper Publishing that no member of the board can interfere editorially. The commitment clearly includes Mr Whitman Smith, who will remain chairman, but on a part-time basis.

Mr Hargreaves says he has also received assurances from all of the main independent shareholders of their long-term commitment to the paper.

Over the past two weeks he has met representatives of all



Ian Hargreaves

the sole survivor of the trio who founded the paper in 1986. Mr Hargreaves said yesterday he intended to continue the paper's tradition of political nonalignment and keep the title firmly at the top end of the market.

Mr Andrew Gowers, at present FT Foreign editor, succeeds Mr Hargreaves as deputy editor and Mr David Walker, now managing editor, has been appointed to the new post of executive editor.

OFT declines bread inquiry

The Office of Fair Trading has rebuffed pressure from MPs to launch a formal investigation into the price of bread in Northern Ireland.

Sir Bryan Carsberg, director general of fair trading, told the N Ireland committee that he had "not yet been given a reason to believe" that the price differential between the province and the rest of the UK was "likely to be attributable to an abuse of a monopoly position or to some particular anti-competitive practice."

But in a letter to Sir James Kilfedder, the committee chairman Sir Bryan said he had asked officials to "make further inquiries bearing in mind my functions under competition legislation." He said he had taken note during a visit to Belfast in May of "the large share of the market for baking and bread retailing held by one group."

Insurers alter Aids criteria

UK life insurers are to stop asking potential clients whether they have been tested for the HIV virus which causes Aids, in an admission that the industry's initial fears on the commercial risk from the condition have proved unfounded.

Insurers in future will ask only whether a test result was positive or treatment has been received.

Under current practice, an applicant who admits having been tested is often refused a policy or offered one only at a higher premium, even if the test result was negative. The reflects the industry's assumption that only people who considered "high-risk" sought such tests.

But the Association of British Insurers said yesterday that testing for HIV had become much more common over the last few years, both for screening purposes and personal reassurance.

Trident base to cost £1.9bn

The construction of a base for Britain's new Trident nuclear submarines has cost £1.9bn, or 72 per cent more in real terms than originally anticipated, according to a report published by the National Audit Office today.

The cost over-run on the 10-year programme of works at Faslane and Coulport in Scotland reflects changes in nuclear safety standards, and a failure by the defence ministry to define precise requirements in the early stages, the NAO says.

FT deputy goes to Independent

Mr Ian Hargreaves has been appointed the second editor of The Independent newspaper in succession to its principal founder Mr Andreas Whitman Smith.

Mr Hargreaves, 43 first joined Financial Times in 1976. He was most recently the paper's deputy editor. He has also held the post of head of news and current affairs at the BBC.

"The Independent is an important voice in the

Skills shortage seen in surveys

Widespread criticism of work-related education and emerging skills shortages that may hamper economic recovery in all regions of the UK are contained in two surveys published today.

A survey of small and medium-sized engineering companies with less than 500 employees published by the Engineering Council showed a shortage of engineers.

A second survey, the latest quarterly national economic survey conducted by the UK 200 group of practising chartered accountants, showed three out of four of their clients foresaw a skills shortage. They urged the government to establish further forms of both vocational and skills training.

Fire to hit bulk contracts

Texaco has told some of its bulk customers that it will be unable to meet certain supply contracts because of the fire at its refinery at Milford Haven in Wales.

Contracts affected are those for delivery in Pembrokeshire, site of the refinery. Texaco also said that it would be unable to meet swap arrangements where payment was due in Pembrokeshire.

Oil companies routinely swap refined products to avoid having to ship them to distant locations. These swaps will enable Texaco to meet its commitments in other parts of the country. The US oil company stressed last night that deliveries to Texaco petrol stations will not be affected by the product shortages.

French plea over shipyard

The defence secretary rejected a call for the government to provide a guaranteed two year, £50m workload for Tyneside shipbuilder Swan Hunter to save it from closure.

Mr Malcolm Rifkind told executives from Constructions Mécaniques de Normandie, the French-based company which is the sole prospective bidder for Swan Hunter as a going concern, that work cannot be directed to the yard and that all future contracts must be won by competitive tender.

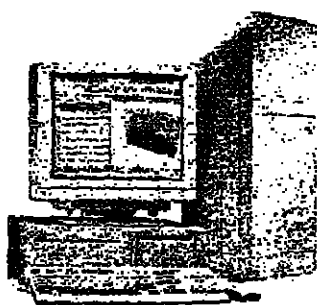
However, Mr Rifkind and defence procurement minister Mr Roger Freeman, also at the London meeting, said they would look at a CMN proposal designed to keep Swan Hunter in business while it competes for more work.

The CMN plan would require the MoD to place the £5m, three month refit of the Royal Fleet Auxiliary tanker Oliver with Swans while still in receivership. Until now, the MoD has said receivership does not constitute the "firm financial footing" it requires.

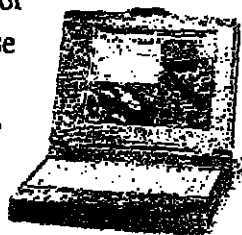
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MANAGEMENT

Advisers feel the pinch

Recession has blunted the growth in western Europe's \$5.74bn management consultancy market, which has expanded by just 7 per cent over the past two years, according to a report by Alpha Publications, an independent research company. It predicts that the pace of growth will increase by an average of 11 per cent a year over the next six years, although this is well below the expectations of a few years ago. It attributes the lower growth projections to recession, a slowdown in the growth in IT services and social legislation imposed by the European Union. However, some trends are likely to expand the market, such as privatisation, growth in international consulting projects stemming from increased cross-border competition and new fashions such as business process re-engineering, customer loyalty programmes and delayering. The slowdown in Europe's economies has steered consultants away from long strategy projects towards offering advice that gives a quick payback by cutting costs or improving performance. The recession has encouraged the restructuring of manufacturing companies, making them currently the largest users of management consultancy, accounting for 38 per cent of the total market, followed by private-sector services such as banking and communications at 26 per cent. The 30 largest consultants account for about 60 per cent of the total market, down from two years ago when they accounted for 63 per cent. The chief reason for this change is the increase in the number of small new consulting operations, formed by executives made redundant in the recession.

Vanessa Houlder

*The Market for Management Consultancy Services in Western Europe. Price £2,000. Alpha Publications, Dean House, 66 Sealeys Road, Beaconsfield, Bucks. HP9 1TB.

Could your business benefit from the presence of a senior civil servant at board level as a non-executive director?

The idea might seem bizarre given the popular image of Whitehall as a home for pen-pushers and faceless bureaucrats. But companies taking on top mandarins find they make a valuable input, says Claire Arnold, managing director of the Whitehall and Industry Group, a charity set up 10 years ago to improve understanding between business and the civil service.

"They have well-honed minds, used to challenging ministers," she says. "They can often bring insights from their experience of government that contribute to strategic thinking."

WIG is a government-backed group, supported by 64 large companies, including Midland Bank, Cadbury Schweppes, Shell UK Oil and British Telecommunications. Each year, a dozen member companies find places for top mandarins on their management committees or on the boards of subsidiaries. For the civil servants involved, the appointments offer useful insight into the world outside Whitehall.

Coats Virella recently appointed Norman Glass, chief economist at the environment department, to the board of CV Apparel, a Nottinghamshire-based subsidiary supplying clothing to retailers such as Marks and Spencer.

Bill Shardiow, group personnel director, says he is always keen to encourage diversity on the boards of subsidiary companies. "Regulation is so important to business these days, and a civil servant brings insights into the views and thought-processes of Whitehall," he says. "The feedback is that Norman is a lively and useful board member."

Glass is finding the appointment equally rewarding. "It is a fascinating experience," he says. "The way the company is driven by precise financial and other quantitative targets is so different from the civil service. Civil servants set themselves targets, but are always conscious of the need to respond to the immediate needs of our political masters."

Glass has already helped the board find out what is going on concerning new European Union restrictions on silk imports. And he has been able to provide useful understanding of the advantages to the company of joining investors in People, a government-backed scheme for improving in-company training.

"I also find I have things to say as an economist, both about the economy as a whole and on particular aspects of business strategy," Glass says. "The contact with a business close to retailing is useful to me in

John Willman on a scheme that puts top civil servants on the board and executives to work in Whitehall

Trading places



Civil servant Nicky Oppenheimer (left) and Kevin McCoy, TSB's director of training

getting a feel for what is going on in the real economy."

In addition to placing top mandarins as non-executive directors, WIG arranges shorter business attachments for around 50 senior civil servants each year. In most cases, they spend two or three weeks examining a particular function of the company relevant to their civil service responsibilities.

Nicky Oppenheimer, now principal establishments and finance officer at the Lord Chancellor's department, spent her attachment in the personnel department of the TSB, the retail bank. The TSB was restructuring at the time, putting a lot of effort into communicating with staff and handling redundancies sensitively.

"I learnt lessons that have proved helpful in the restructuring we are now involved with in setting up the Courts Service agency," she says. "I found much in common between the department and the TSB," she adds. "Both have a

regional structure which creates difficulties in communicating between regions and the centre."

Oppenheimer also looked at the TSB's approach to staff appraisal, gaining insights for a subsequent review of the department's appraisal system. And she was impressed by the TSB's training programme: "Their purpose-built training centres with the most modern audio-visual techniques were an eye-opener," she says.

For Kevin McCoy, TSB's training director, Oppenheimer offered "a fresh pair of eyes" when looking at the restructuring process. "At the time, we were also developing our policies on equal opportunities, and she was able to bring relevant civil service experience," he adds.

WIG offers member companies the opportunity to learn more about how the civil service works at first hand by arranging short attachments in Whitehall for senior managers. This year it hopes to place around 30 top executives in civil service departments and agencies.

Chris Bond, general manager of the export division of HP Bulmer, the cider company, spent four weeks in late 1992 with the Department of Trade and Industry examining licensing arrangements for industry. The project, a pilot for the department's deregulation efforts, identified the licensing problems encountered by small and new businesses. And it suggested ways of simplifying procedures, including the possibility of issuing licences through the new "one-stop shops" offering small businesses access to DTI support services.

Bond found the job interesting, rewarding and a useful introduction to the processes of government. He also found the placement raised his self-confidence by throwing him in at the deep end in an area where he had no previous experience. "It is a different way of working," he says.

"Ministers tend to be much more remote from the detail than even the most senior managers in business. The political aspects are also very important considerations which you need to understand and bring out. Politics are part of the game in industry, but nothing like so overtly or as such a priority."

The benefits of this two-way traffic between Whitehall and business has led to a "sea-change" in member companies' attitudes to WIG, says Arnold.

"At first, they became involved in the programme because they believed it would be in the interests of the country to help improve relations between Whitehall and business. Increasingly they see the loan of a top civil servant as an attractive option in its own right."

*Whitehall and Industry Group, Room C253, 47 Baker Street, London W1A 1JN.

Trainers on the interactive battlefield

Tim Dickson looks at forays into viewer participation by two video-based training companies

You've read the book and seen the video; now try the CD-i. That is the current pitch from both Melrose Film Productions and Video Arts, two of the best-known video-based training companies in the UK. Both have re-issued 10 of their existing training film titles in the more flexible and enhanced CD-i format.

The move represents a new opportunity for corporate, educational and public-sector training managers, as well as marking the training industry's first main skirmish on the multimedia battlefield.

Enthusiasts say that CD-i (which stands for compact disc interactive) offers the same sort of advantages over ordinary VHS videotape that audio compact discs (CDs) have enjoyed over traditional audio tape.

CD-i players deliver a better picture than a conventional video recorder, while users of training films are able to "hop" from episode to episode or participate in a series of interactive exercises added to the original scripts.

CD-i technology was pioneered by Philips three years ago but until recently its main application has been in computer games. The breakthrough for Melrose and Video Arts only came earlier this year with the development of a cartridge that could, for the first time, deliver full-screen, full-motion video pictures at a reasonable price.

CD-i is distinct from interactive video technology, which was marketed in the 1980s. IV not only suffered from poor picture quality but required users to invest up to \$5,000 in a separate workstation.

In an effort to kick-start the new CD-i management training market, Melrose has offered a free player, which attaches to a TV set, to customers who buy either of the first two programs being reissued in CD-i form (Motivating The Team and Keeping Customers Cool) before the end of July.

The 1986 price tag compares with £870 for the Melrose videos in their original linear form. The offer is identical to Video Arts': its new CD-i range includes established hits such as Meetings, Bloody Meetings and The Dreaded Appraisal.

According to Richard Roxburgh, Melrose chief executive: "In a year or two we think it [CD-i] will be as familiar in the workplace as the VHS video player is now. It is like having your own personal trainer on disc, and it will be enormously attractive as the move to open learning gathers pace."

The Melrose products are designed to be used either as self-study tools (with questions, a choice of answers and feedback), or by trainers who want to stimulate discussion in a group. The Video Arts titles, by contrast - also enhanced to drive home key learning points and to encourage users to apply the issues to their own organisation - are suitable only for groups.

"We see CD-i as an excellent means of just-in-time training," says Video Arts' Tina Tietjen. "An important part of the re-design is that the instructions are on the screen and you don't have to be a very expert trainer to follow them. In these days of delayering, many training managers have gone and the emphasis is on line managers themselves to make their teams more effective."

The big question mark is whether CD-i will triumph over CD-Rom technology, which can now deliver the pictures and sound through a personal computer.

At the moment this is a more costly option but while the price is certain to fall, Melrose's Roxburgh points out that the PC "is only a one-to-one experience". He also believes that while the PC can be commonly found in the home, the chances are that CD-i will soon be built into new compact disc players.

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BUSINESS AND THE ENVIRONMENT

Common sense policy-making

Jeremy Kahn on an overhaul of US environmental regulation

Carol Browner, head of the US Environmental Protection Agency, thinks she has discovered what has been missing from US environmental policy - it's called common sense.

Years of EPA anti-pollution effort have left "a complex and unwieldy system of laws and regulations, and increasing conflict and gridlock," says Browner, who has proposed a big shake-up in the way the agency is organised and looks at pollution.

The Common Sense Initiative, announced by Browner last week, advocates looking at pollution on an industry-sector basis, rather than targeting specific pollutants.

The EPA has had some successes. It has effectively banned the chemical DDT and successfully fought against asbestos. But the agency too often gets entangled in its own conflicting policies, such as supporting smokestack scrubbers that cleaned up factory air emissions but added to water contamination. Such conflict would lead to internal clashes as the water and air divisions worked at cross-purposes.

Under Browner's initiative, the EPA may eventually be reorganised along industry lines with divisions representing, say, oil and gas refining or automobiles. The EPA chose six sectors for the pilot programme of Common Sense: iron and steel, electronics and computers, metal plating and finishing, automobiles, printing and oil refining. These make up 15 per cent of US gross domestic product and collectively release 345m lbs of toxic waste per year. That is 12.5 per cent of all toxic waste emissions reported to the EPA.

The new strategy aims to encourage closer, more amicable contact between business groups, environmentalists and the EPA. Browner wants to make US environmental policy more proactive, with regulation based on long-term planning rather than coming in response to crises, such as the much-criticised Superfund, which provides federal funds to clean up hazardous waste.

Common Sense has some strong supporters, both among conservationists and the business

community. The Printing Industries of America, a national lobby group which developed its own joint anti-pollution effort with the Environmental Defence Fund, strongly endorses the EPA reforms. Mary Marra, director of the environmental quality division of the National Wildlife Federation, said the EPA changes "are probably a good idea".

But some, including environmental groups, are sceptical. The National Audubon Society - the environmental group which led the fight to ban DDT in the late 1970s - criticises the EPA for abandoning an approach that seemed to be achieving success and for limiting the flexibility and range of future options.

Maureen Hinkle, Audubon's director of agricultural policy, says: "Some of the other approaches are being thrown in the waste basket and I don't think they should be so summarily discarded." She also fears that environmental groups would be at a disadvantage in the time-consuming negotiations advocated under the initiative, as they lack industry groups' resources.

Others, such as Greenpeace, like the sound of the new approach but worry that Browner may be pulling a public relations stunt. "It's way too early to judge it, but I think Common Sense has great potential," Rick Hind, legislative director for Greenpeace's toxics campaign, says. However, Greenpeace is "dubious about the concern about minimising environmental and industry conflict," and he adds that the best way to minimise conflict is to have a good pollution prevention programme.

Browner's supporters point to her record in reforming the Superfund legislation. When talks on Superfund reauthorisation collapsed, she stepped in to get them started again to forge new compromises between the government, business and environmental groups.

It is now up to Browner to convince others - including in her own agency - that Common Sense makes sense.

The depletion of fish stocks around the world is triggering a boom in the fish farming industry, which pulls in \$800m (\$533m) a year in the US. By 2025, fish production will have to surge by 70 per cent to satisfy expected demand, according to estimates by the US Department of Commerce. Most of that increase will be met by fish cultivation or aquaculture.

But concerns about the ecological impact of fish farming are growing in step with the industry. Originally embraced by environmentalists as a way to take pressure off natural fish stocks, fish farming is coming under attack as potentially harmful to the environment.

One of the criticisms levied at the industry is that cultivated species, particularly in the US, are not species normally harvested in the wild. "There is a lot of aquaculture for fish like catfish and trout whose stocks are not generally harvested in the wild, and therefore are not under that much pressure from over-fishing," says David Harvey, aquaculture specialist with the US Department of Agriculture. "Fish that are in real trouble, like cod, halibut and tuna, we're not yet very good at producing."

Many threatened species, such as tuna, are difficult to cultivate because they need a lot of room to move around. In other cases, fish farmers lack information about what the fish like to eat, particularly in the larval stage. "For fish farming, you need higher survival rates than in the wild to make it commercially viable," says John Nickum, an ecologist with the Fish and Wildlife Service in Washington. "To do that, you need more information about the fish than we generally have available."

Ecologists have additional con-

cerns. Many fish farms use cages in natural ponds, lakes and the ocean and therefore interact with the natural environment. "With fish farming, you always get some genetic alteration, even if it's just selection for docility, traits like that," says Robert Buchsbaum, coastal ecologist with the Massachusetts Audubon Society. "Since there is always some escape of larvae from cages, there is a concern that they would disturb the ecological balance."

Troubled waters

Those concerns multiply when the fish are non-native species. "You hear people say that certain exotic species are not a threat because they could not survive themselves in the wild," says Buchsbaum. "But there is a limit to how well you can control genetics. One operation in the north-west of the US says the exotic mussels they cultivate can grow, but not breed, in the cold weather. But what happens if the mussels adapt, and all of a sudden they can breed in the cold?"

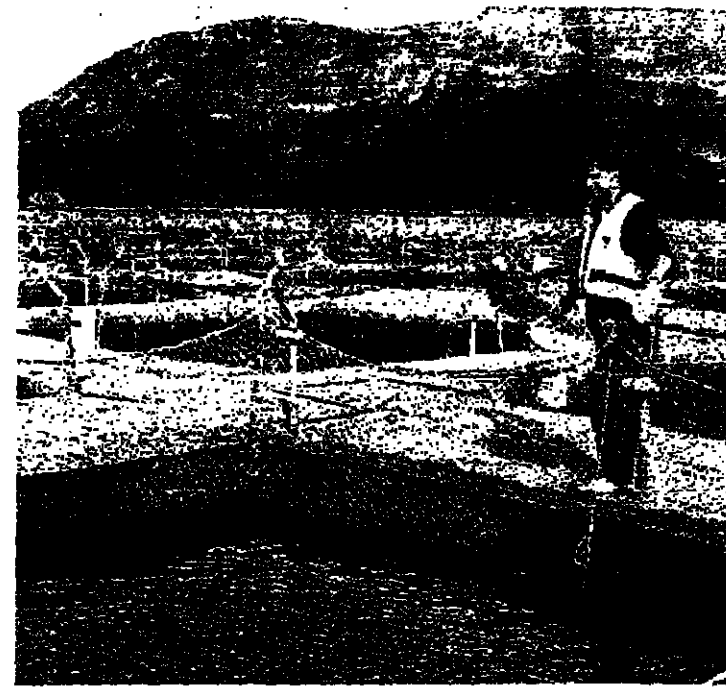
Ecologists are also concerned about the surge in licences issued to fish farmers to kill birds feasting on their stocks. "For the bird, it just looks like a free lunch," says Randall Snodgrass, director of wildlife policy for the National Audubon Society. "But a lot of them get shot instead. Some of those birds may be threatened or endangered species."

Fish excrement and cast-off food can also cause problems. "High-density fish waste, the kind you get with salmon, can have a negative environmental impact," says James McVey, director of aquaculture at the National Sea Grant College Programme. "Any time you've got all those extra nutrients going into the water environment - excrement, food bits that sink to the bottom - you can cause a shift in the ecology of the area."

Fish farmers say they are responding to environmental concerns. Sea Pride Industries, a company operating in the Gulf of Mexico, says it minimises its environmental impact by cultivating only native species such as red bass. "As long as the fish are indigenous, there is not that much danger

of environmental harm," says John Ericsson, the group's president. Aquaculture advocates also stress that cultivation of endangered and threatened species is increasing. "With more research, we are starting to have some success in cultivating shrimp, lobster and other species that are under pressure in the wild," says Hank Parker, aquaculture co-ordinator for the US Department of Agriculture. "This also makes good business sense, since prices for these species rise as the natural stocks get depleted."

Some fish farmers are moving to enclosed indoor tanks to prevent contact with the natural ecological



Caught in the net: fish farmers say they are responding to environmental concerns

system. "Environmental concerns are one of the biggest constraints on industry growth right now," says Joshua Goldman, president of Aquafarm, a fish farming concern that cultivates marine striped bass in an enclosed indoor tank. "Through the tanks, we prevent any possible threat to the natural environment."

Despite the drawbacks, many ecologists see fish farming as a promising solution to over-fishing. "There is clearly a positive side to aquaculture, in that it can discourage depletion of fish stocks," says Buchsbaum. "We just want to make sure it is carried out in a sensible way."

of environmental harm," says John Ericsson, the group's president. Aquaculture advocates also stress that cultivation of endangered and threatened species is increasing. "With more research, we are starting to have some success in cultivating shrimp, lobster and other species that are under pressure in the wild," says Hank Parker, aquaculture co-ordinator for the US Department of Agriculture. "This also makes good business sense, since prices for these species rise as the natural stocks get depleted."

Some fish farmers are moving to enclosed indoor tanks to prevent contact with the natural ecological

Labour's green economic yardstick

Britain's Labour Party wins the next election, expect it to give a green tinge to the country's national accounts.

In an environmental policy document published last week, the opposition party attacked Britain's current method of measuring economic growth through the gross domestic product: this failed to take account of the qualitative aspects of growth. If there is a disaster, this actually increases GDP because the money spent to remedy it is counted as production, while in reality the country probably ends up poorer.

Labour's policy document, launched by Chris Smith, its spokesman on environmental affairs, proposes a number of steps which it believes would make the

economy more responsive to the quality of the environment.

First, a Labour government would launch a nationwide consultation exercise with the aim of reforming national accounting methods by 2000. Official statistics would be placed under the control of an independent body to avoid political manipulation.

Second, Labour will develop a reformed measure of national income which would be published alongside the existing measures of gross domestic product.

Third, it will develop a new range of indicators of National Economic Welfare (conveniently called New) which will measure resource depletion, pollution and a number of social indicators.

And fourth, at a local level,

Labour will encourage councils to consult residents to see what they most want public policy to achieve in the environmental area.

The reformation of national income measures to incorporate green factors is not a new idea. The present government is already committed to preparing "environmentally adjusted national accounts" under the European Union's fifth environmental action programme. But Labour aims to promote these beyond the status of a parallel set of accounts to become the main indicator of UK growth.

"The reason why GDP in its current flawed form is such a problem," says Smith's paper, "is that it is so widely accepted and used by economists and politicians as a totem pole around which all debate

must dance. An alternative system needs to gain the same high level of credibility if it is to be useful."

Setting itself a completion target of 2000 could be ambitious. The earliest a Labour government is likely to be in power is 1996-97, which would leave it only a few years to complete a mammoth task.

Just as difficult could be the New indicators. Some of these could be accurately measured, like the volume of oil extracted from the North Sea or the amount of sulphur emitted to the atmosphere by power stations. But others would have to be more subjective, such as the state of the country's forests or the extent of biodiversity in Britain.

The local indicators need not be all that sophisticated. The document cites the example of Seattle

where residents were asked how they measured environmental quality. They answered: how many salmon there were in the local rivers, and how often the mountains were not obscured by pollution.

In the area of business, Labour would require larger companies to report on their environmental performance and strategy as part of a drive for greater accountability.

Conspicuously lacking from Labour's programme, however, is any suggestion of a carbon tax, which it views as regressive. It is also guarded on the fashionable subject of switching taxation from labour to resources, so as to encourage better resource use and boost jobs.

David Lascelles

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The Financial Times plans to publish a Survey on **Britain's Ethnic Businesses** on Thursday, October 13.

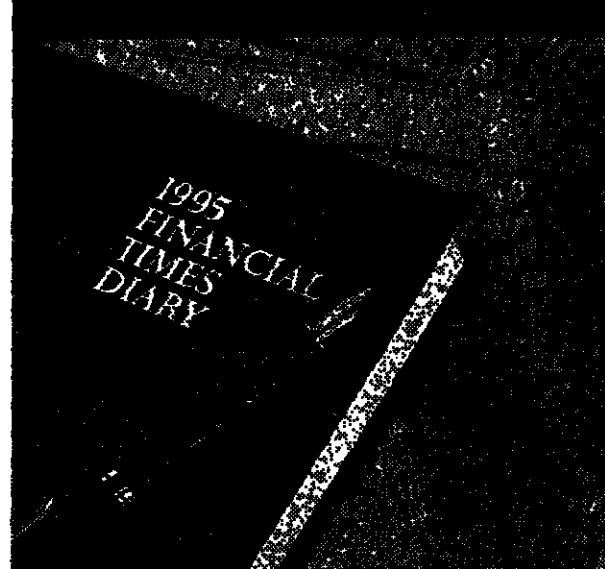
The survey will report on the important contribution made to the economy by ethnic minority businesses in the United Kingdom. It will examine how their future prospects will be affected by competition at home and from abroad, and how they are responding to the challenges of economic revival in the UK.

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Rathbone Brothers: the heritage continues

Family traditions in the City die hard, and none more so than at Rathbone Brothers, the private client banking and asset management group, where William Rathbone, 58 - the tenth of that name and a direct descendant of the company's founder - has just joined the board as a non-executive director.

Rathbone, right, is currently director and chief executive of the Royal United Kingdom Beneficial Association (RUKBA), a UK charity working on behalf of the elderly.

But his main business association was with The Ocean Group, the marine freight services company, which he joined in 1959 and stayed with for 29 years, working in Liverpool, West Africa and London. His numerous activities with the group included developing a tanker and bulk division.

He joined RUKBA in 1988. The charity has an annual turnover of \$8m, with 300 full-time employees and 750 volunteers.

It has been 96 years since the last William Rathbone was involved in the management of the eponymous company, founded by William Rathbone



Rathbone's London office closed, not to re-open until 1988, when Comprehensive Financial Services merged with Rathbone.

The company's newest director has two children - including William Rathbone XI.

Salomon adds weight for European equities

Salomon Brothers has hired American Albert Richards, as part of its push into the European equities business.

Richards, 33, joins from CS First Boston where he was director of European sector research and European chemicals analyst.

He is due to start at Salomon in September as vice president and manager of European equity research, and will be based in London.

Given his impressive list of academic achievements, which include a doctorate in chemical engineering and a master's degree in management from MIT by the age of 25, Richards clearly relishes the chance of putting all his hard-earned theoretical experience into operation at Salomon's.

"The niche which investment banks can fill best in Europe is to provide fundamental, long-term industry-oriented research," says Richards.

His appointment comes just

one month after news that Salomon Brothers was sending Rodney Berens, a member of the firm's 12-strong executive committee, to London as part of its drive to raise Salomon's profile in European equity markets.

Salomon lost around half of its analysts in the wake of the US Treasury scandal in 1991, but since then it has been steadily re-building its team.

It now has five sector analysts and six country strategists, though it is looking for analysts to cover telecoms, media, capital goods and autos.

Berens is confident that Salomon's return to the European equities business will be even more successful than its rehabilitation in the bond market, where it is once again regarded as a powerhouse.

"In the long term I would like the equities side to be even more profitable than bonds, but I will settle for a tie," he says.

Minchin takes over as SFA deputy chairman

Peter Minchin, 62, has been appointed deputy chairman of the Securities and Futures Authority (SFA), taking over from Andrew Winckler, 45.

Minchin is also chairman of the SFA's enforcement committee, and a board member of Lloyd's Bank Stockbrokers. He has been a board member of the SFA, and its predecessor, the Securities Association, since 1988. Until recently he was also a board member of the London Stock Exchange, having first joined its council in 1976.

Minchin started his working life as a high-flier - by joining the Fleet Air Arm, part of the Royal Navy.

He spent eight years in the navy, including a period as naval attaché in Paris, but an eye injury put paid to his flying career, and galvanised his entry into stockbroking.

He commenced his new life with Kicat and Atkinson, in 1958. He joined another stock

exchange firm, Pidgeon de Smitt, leaving there in 1962 to help set up market making in the Kuwait stock exchange, where he was appointed adviser on securities regulation to the Kuwaiti government.

He joined Lloyd's Merchant Bank in 1986, directing its newly created broking subsidiary, of which he ultimately was chairman. He is also chairman of the German Smaller Companies Investment Trust, and governor of Sir John Cass's Foundation, the educational charity.

The SFA regulates members of all the organised City investment markets, with more than 1,300 member firms which in turn employ some 58,000 staff. Winckler earlier this year left the SFA to become head of supervision at the Securities and Investment Board, the body responsible to the Treasury for regulation of the UK's financial services industry.

NON-EXECUTIVE APPOINTMENTS

■ Anstin Amisab, recently leader of the Commonwealth observer mission to South Africa, Hon James Ogilvy, chief executive of Foreign & Colonial Management, and Fred Packard, chairman of Foreign & Colonial Emerging Markets, at FOREIGN & COLONIAL EMERGING MARKETS INVESTMENT TRUST.

■ Paddy Linaker, deputy chairman of M&G Group, and Lord Younger of Prestwick, chairman of the Royal Bank of Scotland, at FLEMING MERCANTILE INVESTMENT TRUST. Sir Ian Denholm has retired.

■ David Linnell has resigned from BOSTROM.

■ Tony Prendergast and Helen Robinson are retiring from LONDON ELECTRICITY.

■ Stephen Williams, general counsel and joint secretary of Unilever, at BUNZL.

■ Maurice Dixon, chief executive of Simon Engineering, at HIGGS AND HILL.

■ Michael Potts at HANOVER ACCEPTANCES.

■ Michael Garner, retired finance director of TI Group, at CLYDE PETROLEUM.

■ Nigel Turnbull, finance director of The Rank Organisation, at GARTMORE SHARED EQUITY TRUST.

Shaw steps down at Premier

Only two months ago, Roland Shaw, chairman of Boland Consolidated Oilfields, wrote to the FT pointing out that at 72 he was a mere strapping, compared to Armand Hammer who ran Occidental until he was over 90. But yesterday the US-born Shaw announced he was stepping down on August 3.

Expansive in every sense, Shaw has been a large figure in the UK independent oil sector for over two decades, having nursed Premier through good times and bad. His towering presence was said to be one reason why Premier never got gobbled up like other North Sea minnows.

Shaw had already relinquished his executive role at the company 18 months ago. He hands over his remaining role to Richard Cox-Johnson, a non-executive director, until a permanent replacement is found. But this will not mark Shaw's final departure from the oil patch. He will continue to give time to Heritage Oil and Gas, where he is chairman, and to other oil interests.

Television/Martin Hoyle

Sanctimonious attitudes

It seems unfair on that admirable country that the state of Denmark should be associated in an English idiom with rottenness. There are other states where the rot is palpable and the individual David squares up to the Goliath of the establishment in vain. A sting is not much good (to mix metaphors) if the faceless men keep moving the goalposts.

Last week's viewing provided an uneasy thread of Kafkaesque bureaucracy closing ranks against the seeker after truth. In Channel 4's *Frontline* Quentin Fletcher, mother of the WPC murdered outside the Libyan embassy in 1984, tried to act on her simple belief that someone somewhere must know who shot her daughter. Disturbing puzzles emerged: the trade embargo ignored, official indifference, and a final meeting with Colonel Gaddafi that took on the unreality of a nightmare. Unexpectedly sent for by the Libyan leader, Fletcher found herself on the platform at a rally, urged to make a speech to a cheering crowd. She returned to her suburban home shaken by the layers of obfuscation attending the tragedy, not least on the part of British officials. The guarded smoothness of hatchet-faced Douglas Hogg summed it up.

It showed up *Michael Moore's TV Nation* as the television equivalent of junk food. The cutesy idea of making a gnomish *fauz-naff* in a baseball cap ask penetratingly simple questions about such agonising

problems as the Bosnian war soon grated. You might as well send Norman Wisdom to interview Saddam Hussein. Moore himself is an unnecessary American import; the British are quite capable of providing pseudo-profound whimsy (especially on radio where Ray Gosling's lugubrious drone or John Walters' witless bellow trigger a Pavlovian lunge to the off-switch). The best item, from Moore's glamorous female sidekick, concerned brokers who buy life insurance policies from those with AIDS and cash in: a rich Dickensian gallery with nervous giggles and hairstyles that resembled one of the late Queen Mary's toques, they were a jolly lot. As one cheerfully prognosticated, "the next growth area of the market is cancer".

One wonders how far the tiresomely droll Moore would have got with the Kennedy clan. *Inside Story Special: Chap-pagiddick* (BBC 1) revealed that pressure was exerted on her paper to sack reporter Liz Trotta for asking awkward questions of the senator for Massachusetts. It was "raw power reaching out... just naked," said the splendidly unscathed Trotta in

John Edgington's 25th anniversary reminder of the drowning of Mary Jo Kopechne. Teddy behaved as remarkably as the dog in the Sherlock Holmes story. The dog, you remember, did nothing. Only the convolutions of American politics-cum-morality could sustain the latest theory: that Kennedy was not even in the car when it plunged into the water but claimed to have been the driver to avoid a possibly worse scandal - a degree of judgment that makes one thankful he never became president.

But what of the individual opposing not corruption or vested interests, but the law itself? BBC 1's *Heart of the Matter*, tucked away on Sunday night, poses meaty problems week after week and should not be taken for granted. Last week's survey of gentle law-breakers - anti-road activists, the man who assaulted youths who were terrorising his mother - and the rather less gentle animal rights campaigners was memorable for the appearance of yet another Hogg: Quintin, Lord Hailsham, who chill-

ingly detected the seeds of civil war in the honourable tradition of civil disobedience, equating it with world-wide strife - Catholic/Protestant, Islamic/Jewish, and what he disdainfully dismissed as "hooits and tootsi".

This sensitively compassionate approach would doubtless have no truck with political correctness. One expected an equally rebarbative attitude in *Richard Littlejohn - Live and Uncut* (ITV). In fact the scourge of liberalism is more complex than given credit for, as anyone who knows his falling castigation of the present government's brazen venality will testify. Littlejohn is in the English tradition of fundamentalist puritan small-town morality. He would have joined Cromwell's New Model Army in that Thatcherite manifestation before its time, the Great Rebellion, with its City money, mercantile class support and grim dogmatism.

In Friday's discussion on PC, Littlejohn managed to unite a lefty MP with the chairman of the Metropolitan Police Federation against him, not to mention the exquisitely ennobling Brian Sewell.

Nobody behaved like a stereotype. Black Labour MP Diane Abbot was bubbly, funny, articulate and un-rancorous. Lord Archer was - would you believe bubbly, funny, articulate and un-rancorous? No statutory Hogg being present, it fell to the director of the Howard League for Penal Reform to ooze sanctimoniousness.

Which brings us naturally to Sir David Frost. "Money doesn't grow on trees but it may be growing on your family tree," he burred at the beginning of *Good Fortune!* on "Christmas Day in July" - or Sunday, in the slot associated with *That's Life!* Esther Rantzen may have irritated but she was never as embarrassing to watch as this clumsy, dowdy fumble at populist TV, pitched at a level as low as ITV at its most cynical and then some.

Outside broadcast units ambushed punters with unexpected inheritances. A woman in the audience was presented with a competition prize she was unaware of having won, having moved to the Outer Hebrides as if in presentiment. A book on the Royal Family at £17.99 presented by a Queen lookalike made one wonder if it was worth it. Another audience member,

due to go on holiday, was told by Frost that a forgotten premium bond had come up and she had two million - the studio screamed and whooped as he desperately added "Turkish lira" - the equivalent of £50.

Elements of *Surprise! Surprise!* and *This Is Your Life* reduced even reconciliations between families long separated (why? one ignobly asked) to a Roman spectacle with screaming crowds. "You haven't done nothing," laughed Sir D reassuringly to (or at) a nervous courier inveigled into a crowded studio to deliver marvellous news for himself and "your glorious family". "Not bad, is it?" Frost kept asking anxiously as the programme floundered on ineptitude after ineptitude. "I've been adopted by a load of ducks here!" chorled reporter Adrian from location. The camera moved back to reveal a totally duck-free stretch of water. Adrian was also shut up in mid-interview, as several of the punters who were obviously meant to stay lachrymose, grateful and silent. "Who do I thank for this?" asked Phyllis, rather grim-faced at meeting her son again after 20 years. Frost replied in a supremely cynical moment of truth: "John Birt." And so say all of us. The BBC was once known as the greatest broadcasting organisation in the world. There is certainly a whiff of rot around, but from much closer to home than the Skagerrak.

Christopher Dunkley is on holiday.

Ballet/Clement Crisp

Fascinating look at academic dance

Abandoning fond thoughts of an igloo, we went to the Coliseum on Monday night to be lightly broiled, and to watch the start of English National Ballet's summer season. Dancers like and need heat, their muscles responding gratefully to temperatures that make the rest of us steam. (The sweat spins off the men in pirouettes as from a shower head.) The programme was the all-dance triple bill on which I reported from Edinburgh's Festival Theatre last week. I think it a good choice, for it shows the company as stronger than for several years. The two opening items - *The Kingdom of Shades* scene from *La Bayadère* and *XNTricities*, that recent Italian acquisition - provide a fascinating display of what has happened to

art is satisfied in his performance. His style is pure, the dance set out with utter integrity, with no concessions to applause-catching. The role lives, and Edur finds its poetry, its character, in the movement - there is a lift, an exultant grace to each step, an inborn dignity to the least gesture. We understand Solor (who is the conventional hero of such ballets) and we understand the unique and hard-won glories of classical technique, in the grand curve of a leap, the lift and grace of a pose. Here is noble dancing - in the greatest traditions of ballet - and it is worth travelling a long way to see.

Maurio Bigonzetti's picture of academic dancing in *XNTricities* (and my admiration of the piece stops short at this stupid title) is frenetic, sexually blatant, and altogether of its time, as was Petipa's moonlit drama. Its merits are Bigonzetti's sense of choreographic progress, his ability to use a clanking electronic score and not be driven mad by it in front of our eyes, and the splendid performances he has inspired from his cast. The spectral bayadères of half an hour before become predatory, strutting women who pose and kick and twist as they face men no less eager for the battle of the sexes. It is like Petipa's display in providing fantasy images, and like Petipa, Bigonzetti knows how to shape movement. I would admire the piece even more were it ten minutes shorter, but it is compellingly well danced - the cast enlarged since it was first seen earlier this year - and admirably lit.

The evening ended with *Etudes*, that "Forty-ninth Louvre" rush round the dancer's daily labours. It will always delight audiences, who love its sure-fire combination of pirouettes and triumphant smiles, but both production and performances need a sharper edge and greater authority than was manifest on Monday. But with ENB on its present upward path to glory - and long may that continue - these qualities will come. I would like to see the company's account of *Etudes* in a year's time.

English National Ballet's summer season is sponsored by Nomura. *The Sleeping Beauty* is at the Coliseum until Saturday July 30. ENB continues at the Festival Hall from August 2 to August 13 with *Beauty and Coppelius*.

The English National Ballet company is stronger now than it has been for years

academic dancing from Imperial Petersburg in 1877 to London in 1994.

The fourth act of Petipa's great Indian spectacular was the *ballet blanc* expected by his audience. Moonlight (ENB's lighting wrong on this count: too glaring) and a cohort of women as ghosts, with the ballerina as focus and spiritual heart of the event. Long chains of movement, technical display at its sublimest, and a frisson of emotion to trouble this nocturnal set-piece. ENB's corps looked very good as Shades, moving with the proper inevitability and sense of exultant spirituality.

I was less happy about the three soloists - their variations are jewels of the rarest quality, and they seem to think them paste, and dance accordingly - and Margaret Illman cannot find that transcendent grace and spirituality which lie at the heart of everything Nikiya, the ghostly heroine, does. Her role is a statement about enduring love and about the need for Solor, her beloved, to be true to her. Miss Illman is an able dancer, but the role is not about that.

The chief joy of the staging is that it shows Thomas Edur yet again as the finest classical danseur we have. Every canon of academic



The full Joan Collins treatment: Francesca Annis as Mrs Erylne

Theatre/David Murray

A crooked Lady Windermere's Fan

For many years now it has been impossible to play *Lady Windermere's Fan* straight, unless to an improbably innocent audience. (Perhaps 50 years ago in England; in the rest of the world, at least 80.) It was Oscar Wilde's first professional play, and it is hopelessly split.

If we relish Oscar's wit in the marginal chat, we cannot take Lord and Lady Windermere's lofty protestations about marriage very seriously; but if we cannot do that, the very hinges of the plot become quaint and ludicrous. At the Albany Theatre, Philip Prowse's production - imported from the Birmingham Rep - plays it crooked.

On the one hand the fringe characters, who get most of the familiar, subversively witty lines, are encouraged toward shameless camp, which makes the Windermere ball in Act 2 a decidedly louché affair, wildly unlikely in its period (or at least unreportable). On the other, both Windermere's are treated at face value, as fanatic idealists who pass absolute moral judgments upon others. They are only half-confounded at the end; the last thing we see is Lord Windermere in a brown study, deeply baffled because he has misunderstood everything.

Well he might, however, for there is an "on the third hand" too: Francesca Annis's Mrs Erylne. She gives her the full Joan Collins treatment in public - scandalous, surely, at a respectable Mayfair gathering? - but manages some nice feeling in her anguished private confessions. (I have to deny you the full facts, since some of you won't know the play; it will be enough to say that the adventures Mrs Erylne is more than she seems.) As Wilde wrote her she is an eminently presentable, savvy woman-of-the-world, whereas Miss Annis makes her a larger-than-life siren.

Though Miss Annis just about reconciles her flamboyant persona with discreet moments of real emotion, it is a near thing. Prowse's handling of the subsidiary personnel is too gross: we have no reason to believe in strangled Victorian mores when hardly anybody on stage seems to believe in them. By Act 3 in the Prowse version, the first-night audience was greeting every lofty Victorian declaration with raucous laughter.

As young, well-heeled Windermere, with only two years of mar-

riage behind him, Rupert Frazer is peculiarly stiff and curdled. Amanda Elwes is worse: she cannot talk Wilde's rarefied lingo with any semblance of naturalness, so she aims at unspoken character instead. By Act 3 that makes itself felt a little (we remember her attractive performances on TV); but both the earlier acts - in this version - begin with a lot of her, and she delivered her lines like a robotic alien. The initial banter with her vain swain Lord Darlington (Simon Dutton) was hopelessly leaden, her melodramatic Act 2 scene devoid of the least conviction.

That was not altogether her fault (though one felt that Central School might have prepared her better). The real trouble is that as Wilde wrote her - his original title for the play was *A Good Woman* - she now seems at best a prig and a ninny, at worst a raving hysteric; and Miss Elwes, grave and humorless, plays her for real. What Wilde intended for the Windermere, which was idealised rapture founded upon inexperience, turns into puritanical craziness. We do not believe a word of it; and so they, not the mockers, become the out-of-joint outsiders.

Perhaps that is what Prowse intended. If so, it carries less conviction than his own sumptuously OTT sets: a huge boudoir for Acts 1 and 3, artfully off-centre and festooned in deeply unlikely hues for Victorian times, and between them - for Lord Darlington's rooms in his club - a dramatic crescent of grand *chéniserie*. That was warmly applauded.

There are a lot of enterprising actors in short-breathed roles. Jennifer Hilary makes a ripe Duchess of Berwick - if too modern and knowing, in the generous room this production gives her - but almost vanishes after the first act, as does Marianne Morley's crisp Lady Jeddburgh. (Wilde's parade of fictitious titled characters, both onstage and off, seems absurd now: why should they be titled? what does it matter?) Frank Middlemass's Lord Augustus, broad and lovable, and Leonard Kavanagh's discreet butler remind us pleasantly of how such roles used to be played - simply, straightforwardly and clearly.

At the Albany Theatre (071-967 1115).

INTERNATIONAL ARTS GUIDE

FESTIVALS

■ BAYREUTH

The 1994 festival's new production is *Der Ring des Nibelungen*, which opened last night with *Das Rheingold*, to be followed this afternoon by *Die Walküre*. It brings together the stage director Alfred Kärcher, the designer Rosalie and the conductor James Levine. The cast is headed by John Tomlinson, Deborah Polaski, Wolfgang Schmidt, Tina Kiberg, Paul Elming, Ekkehard Wlaschka and Eric Halfvarson. Giuseppe Sinopoli is the new Parsifal conductor, with a cast headed by Elming, Hans Sotin, Bernd Weikl and Uta Priew. Last year's production of *Tristan und Isolde*, conducted by Daniel Barenboim and staged by Heiner Müller, is revived with the same two singers in the name-parts - Siegfried Jerusalem and Waltraud Meier. The other revival is Dieter Dorn's 1990 production of *Der fliegende Holländer*, conducted by Peter Schneider, with Bernd Weikl and Sabine Hass. The only way to get hold of tickets now is on the black

market. The festival runs till Aug 28 (0921-20221)

■ BREGENZ

The opera festival at the Austrian corner of Lake Constance has won an enviable reputation for artistic boldness, while preserving its appeal for tourist audiences. David Pountney's spectacular 1993 production of *Nabucco* is revived on the lakeside floating stage - counterbalanced at the nearby indoor theatre by a rare staging of Zandonai's *Francesca da Rimini*. The festival runs till Aug 26 (05574-4920 224)

■ KYBURGLADE

Now in its third year, this chamber music festival owes its unique atmosphere to the open-air setting of Kyburg Castle near the Swiss town of Winterthur, and to the participation of one of Europe's leading young string quartets, the Carmina Quartet. This year's programmes focus on Bach, Mozart and Vivaldi. The opening concert on Aug 4 is given by I Musici di Roma. Other visiting artists include London Baroque, the Hagen Quartet and pianist Paul Gilda. The festival runs till Aug 10 (01-251 4044)

■ LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Antheron, equidistant from Marseille and Avignon, provide a serene Provencal setting for a piano

festival of increasing international renown. Joaquim Achucarro is soloist in the opening concert by Novosibirsk Philharmonic Orchestra on Saturday. Other pianists at the festival include Rafael Orozco, Michel Dalberto, Michel Béroff, François-René Duchable, Aldo Ciccolini, Nelson Freire, Elso Virsaladze, Jean-Bernard Pommier, Elisabeth Leonskaja, Stephen Hough and Deszö Ránki, who gives the final recital on Aug 21 (4250 5115)

■ MONTPELLIER

The festival at Montpellier, west of Marseille, is organised by Radio France. The remaining attractions this year are the Novosibirsk Philharmonic Orchestra from Siberia tomorrow, Maria Joao Pires and Augustin Dumay in recital on Saturday, the Orchestre de Paris on Monday and a concert performance of Montemazzini's opera *L'amore dei tre re* on Aug 4 (6702 0201)

■ OSLO

Founded by Norwegian violinist Arve Tellefsen in 1989, the Oslo Chamber Music Festival has quickly won a reputation for conviviality and a musical quality. Concerts take place in churches, castles and concert halls around Oslo, with each year's programme focusing on a different country. This year (Aug 5-13) is Britain's turn, with music ranging from Byrd and Bridge to David Matthews and Oliver Knussen. The Nash and Hilliard Ensembles are taking part, while Truls Mork plays Elgar's Cello Concerto and Yuri

Bashmet gives a viola recital (2255 2553)

■ RHEINBERG

The chamber opera festival founded by German composer Siegfried Matthius in the idyllic surroundings of Rheinsberg Castle, 90km north of Berlin, is now in its fourth year. The formula is simple: bring together an international group of promising young singers for a month of rehearsals and workshops with experienced performers, against a backdrop of castle, lake and park; then show the results in two opera productions. This year's programme consists of Carl Heinrich Graun's *Montezuma*, staged by John Dew (July 29, 30, Aug 2, 3, 5, 6), and a double-bill pairing Schoeck's *Vom Fischer un syner Fru* with Ibert's *Angeliou* (Aug 12, 13, 17, 18, 19 and 20). Tickets can be bought at Rheinsberg or from Theatershop Ticket System in Berlin (030-463 1046)

■ SALZBURG

This year's flagship opera production is Don Giovanni, staged by Patrice Chéreau and conducted by Daniel Barenboim, with a cast headed by Ferruccio Furlanetto, Bryn Terfel, Catherine Malfitano and Cecilia Bartoli (first night tomorrow in the Grosses Festspielhaus). There are also two Mozart productions by Karl-Ernst and Ursel Hermann - *Ombra Felice* (a collection of arias, scenes and ensembles conducted by Heinz Holliger) and *La clemenza di Tito* with Chris Merritt and Ann

Murray. The opera programme otherwise has a Russian emphasis, with three Shostakovich stagings and a revival of the Claudio Abbado/Herbert Wernicke production of Boris Godunov, with Samuel Ramey in the title role.

● In the concert hall, Nikolaus Harnoncourt conducts the Chamber Orchestra of Europe in two cycles of Beethoven symphonies at the Mozarteum. The Vienna Philharmonic's concert at the Grosses Festspielhaus are conducted by Muri, Haitink, Soli, Janzon and Boulez. There are guest orchestras from Berlin, Cleveland, London and Pittsburgh. The recital programme includes Jessye Norman (Aug 1), Thomas Hampson (Aug 5), Yevgeny Kissin (Aug 10), Daniel Barenboim (Aug 13), Alfred Brendel (Aug 16), Anne Sophie Mutter (Aug 21), Bryn Terfel (Aug 22) and Maurizio Pollini (Aug 23).

● The drama programme continues to gather strength, with Shakespeare's Antony and Cleopatra directed by Peter Stein and Pirandello's *The Mountain Giants* directed by Luca Ronconi. There are also revivals of Botho Strauß's *Equilibrium* and Deborah Warner's production of Shakespeare's *Coriolanus* (tel 0682-844501 fax 0682-846662)

■ SCHLESWIG HOLSTEIN

Like a musical mosaic, the festival spreads out from Hamburg, Lübeck and Kiel to some of the most attractive towns in North Germany,

in venues with a more local atmosphere than most international festivals. This year's programme plays a special emphasis on Jewish music. There are visits from the Israel Philharmonic and Jerusalem Symphony Orchestras, plus young musicians from Israel. Jewish composers are well represented - including Mendelssohn, Mahler and those banned during the Nazi era, such as Ullmann, Haas and Klein. There is also a retrospective of Beethoven. Among the highlights over the coming week are a song recital by Thomas Hampson tomorrow in Wotens, a violin recital by Pinchas Zukerman on Fri in Stade, a performance of Mahler's Ninth Symphony on Sun in Kiel conducted by Giuseppe Sinopoli, and concerts by the Kirov Orchestra under Valery Gergiev in Flensburg on Mon and Lübeck on Tues. Yevgeny Kissin gives a Chopin recital next Wed in Kiel. The festival runs till Aug 21 (0431-567080)

■ VADSTEJNA

Vadstena's annual opera festival takes place in the historic buildings of this charming medieval town 250km south-west of Stockholm. The second and final production this year is *The Various Adventures of Mrs Björk*, a tragic-comedy by Swedish composer Staffan Mossenmark based on a novel by Jonas Carlell. This opens tomorrow and runs till Aug 12. There will also be an opera gala in the Vadstena Castle courtyard on Aug 7 (tickets 0143-10094 information 0143-12229)

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide, Thursday: Festivals guide, Friday: Exhibitions guide.

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NSG/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NSG/Super Channel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

WEDNESDAY
NSG/Super Channel: FT Reports 1230

FRIDAY
NSG/Super Channel: FT Reports 1230

SUNDAY
NSG/Super Channel: FT Reports 2230

Sky News: FT Reports 0430, 1730.

Edward Mortimer



"They are asking the wrong question," says an unnamed aid official in London, quoted in this week's Sunday Telegraph. "It is not 'what went wrong' [in Rwanda] but 'what can we do now?'"

Actually, it is vital to ask both questions. Many things can and must be done now, but for hundreds of thousands of people the effort comes too late. Even restoring the survivors to their homes, health and happiness is a task beyond the powers of the so-called international community. It is vital to ask whether, and how, this tragedy could have been averted if we are to have any hope of averting any others like it.

And there are further questions which must be asked. What are the obstacles that prevent us from responding adequately to the current crisis? And what must we do to ensure that, next time, we can do better? In each great disaster a terrible price is paid because the response has to be improvised. The supplies and equipment needed are always somewhere, but precious weeks are lost while they are located and transported to the place where they are needed.

On the humanitarian side, things have improved in this respect. The Department of Humanitarian Affairs (DHA) at the UN in New York has, for the first time, been able to play its assigned role of co-ordinator among the different bits of the UN system and the voluntary relief agencies, and it has drawn on the emergency "rolling fund" set up to enable the system to go straight into action. But this fund is only \$50m - not adequate for a disaster on the Rwandan scale, for which the UN last week requested \$435m in donations from member countries.

The main shortcomings of the UN system, however, are clearly in the politico-military area. Humanitarian action is impotent in conditions of raging war, such as prevailed in Rwanda from April to June this year. The DHA opened its office in Kigali on April 23, but the staff were pinned down in shelters, unable to move.

Since then, the exodus of the Hutu population has created problems on the Rwanda-Zaire frontier which cannot and

High price of dallying

The world should not have to improvise a response to each crisis

should not be tackled by humanitarian means alone. It seems appallingly callous to say so, but the epidemic of cholera now sweeping through the refugees has its positive side, since it is persuading many of them that the risk of returning home may be less than the risk of staying where they are. But such ghastly means of "persuasion" should not be necessary. The task of repatriating the population is, above all, a question of security and confidence - in other

words, a political task with a military component.

All accounts agree that a key role in urging the Hutus to flee, as previously in egging them on to genocide against the Tutsis, was played by the nominally independent Radio-Télévision Libre des Mille Collines. It was urging the population to flee for their lives, and promising that the Rwandan armed forces would launch a war of "reconquest" once they had a chance to regroup on Zairean territory - until last week, when it went off the air, possibly closed down by the French.

These broadcasts should have been jammed long ago, and the UN should have been in a position to put out counter-broadcasts, giving the population a clear account of what was actually happening. It did this with great success in Cambodia. Member states should endow it with the capacity to set up an objective public

information service as the first priority in any conflict or potential conflict in which it gets involved. The existing press and information department in New York, which spends its money inviting journalists from well-heeled western newspapers on "fact-finding" tours of the Middle East and elsewhere, should be closed down.

It is futile for member states to blame the UN for not acting quickly or effectively even in Rwanda-type crises when they do not give it the resources to do so. Once again the UN is very close to bankruptcy, with \$3.2bn outstanding in members' contributions. But it is not only a question of money. Back in May the Security Council decided to send a force of 5,500 troops to Rwanda. At most, half that number will be in place by mid-August, and even then they will have no proper equipment unless the French can be persuaded to leave their behind.

Rich white countries are less and less willing to put their forces under UN command. At most they will undertake quick in-and-out operations, "authorised" by the Security Council, within their own sphere of influence - France in Rwanda, Russia in Georgia, the US in Haiti. For the long haul, poorer countries are expected to provide the manpower. But they have no equipment - and it is no good fobbing them off with unserviceable armoured personnel carriers left lying around in Europe since the end of the cold war.

The UN needs a reserve of ready-to-use military equipment, just as it needs a larger emergency fund to pay for humanitarian supplies. Ideally, it should also have a reserve of volunteer manpower, perhaps a 5,000-strong brigade, trained and ready to fly to any crisis point to which the Security Council decides to send it, to hold the line until member states assemble the force needed for a longer-term commitment.

Members of the Security Council are said to be angry with the secretary general for proposing this week that the UN force in Bosnia should be withdrawn. They should, instead, be grateful to him for drawing attention to the gap between the task they keep assigning to the UN and the resources they are willing to give it.

Before: Berkeley, UK's first commercial nuclear power station



After: artist's impression of Berkeley at stage two of decommissioning



David Lascelles examines the costs of making defunct nuclear power stations safe

Cool reaction to hot problem

I bet it will read nought when we come out again," said Peter Webster, picking up a small radiation meter. And through the gates we went.

Before us stood two gutted buildings, the remains of Berkeley, the UK's first commercial nuclear power generator, on the banks of the Severn estuary. Shut down in 1989, the station is being decommissioned in the first exercise of its kind in the UK, and one of the few in the world.

We clambered over rusting pipework, peered into cooling ponds and ended up standing on top of one of the station's two nuclear reactors.

A team of men was washing it down with solvent. They were not clad in thick protective clothing, just overalls and gloves. And they chatted as they worked. All rather ordinary, considering that beneath their feet stood a graphite core which had once contained highly radioactive fuel rods.

"Radioactivity is like powder," said Webster, the station manager. "If it is on the surface, you can usually wipe it off."

Later, when we left the site, the dosimeter did indeed read nought. "It's a fairly mundane activity," decommissioning, said Webster. "It's just construction in reverse."

His offhand remarks were meant to sound cool. The nuclear industry is keen to put across the message that defunct nuclear power stations can be made safe. But whether it can do it efficiently and within budget is one of the important tests of the nuclear review which the government is now conducting.

According to the National Audit Office, the UK's nuclear clean-up bill amounts to some £18bn for decommissioning 18 power stations and 17 other radioactive sites, such as British Nuclear Fuels at Sellafield. But it does not include the £4bn-£5bn recently added to

the Atomic Energy Authority, whose original budget was understated "because of optimistic assumptions and significant omissions" - a miscalculation which underlined the uncertainty that clouds the decommissioning debate.

The cost of this clean-up falls mostly on the electricity consumer, who pays a 10 per cent levy in England and Wales and an artificially high price for electricity in Scotland. But these arrangements are being phased out, and the nuclear industry is supposed to be self-financing by 1998.

In Berkeley's case, the clean-up is one of the more difficult that faces Nuclear Electric, its owner. As the first of its generation, the station was clumsily engineered. The two reactors contained 85,000 fuel rods and were connected to tall heat exchangers by hundreds of yards of large-diameter piping. The heat exchangers were smothered in smaller pipes and coated in asbestos. All this metalwork was contaminated internally by radioactive waste.

The decommissioning of Berkeley began in 1989, and is proceeding in three stages. In the first, the fuel rods were individually removed, stripped of their cladding and shipped to Sellafield. Over nearly three years, that disposed of more than 99 per cent of the high-level radioactive waste.

The work is now in the second stage. This will get Berkeley

into a condition where it can be left for many decades while the remaining radioactivity decays. For this, the large pipework has been chopped up and sealed off. The heat exchangers are being cleaned and laid on their sides, and the buildings weather-proofed.

Intermediate-level waste, which includes the fuel rod cladding, is also being removed. This will be stored in concrete vaults on the Berkeley site, because the government cannot agree on plans for a national store - which is another issue for the review.

The modified policy would raise the commercial appeal of the nuclear power industry and make it more suitable for privatisation.

Another argument in support of a long timetable is that nuclear waste technology is likely to improve over time, which could further simplify decommissioning. As it is, Nuclear Electric claims that the experience gained at Berkeley suggests cost estimates are too high. The first stage - the removal of the fuel rods - cost £40m compared with an estimate of £70m. The second stage looks like beating its £120m budget. The third stage, which would include looking after Berkeley for a century and returning it to a greenfield site, is estimated at £300m.

But the extended timetable has been attacked from a number of quarters. In a report, published this spring, the Science Policy Research Unit of Brighton University, a leading

academic centre for energy studies, says that long-term decommissioning runs serious financial risks. If a station had to be shut down early, there would not be sufficient provisions to finance a clean-up. Also, small errors in forecasting interest rates could lead to large shortfalls in provisions.

The SPRU study also argues that, while decommissioning technology might improve, environmental standards would probably be raised, so the cost hurdle might not fall.

The main focus of environmental concern is the risk of leaving a radioactive site for this long, even in a cocoon. Green groups point out that other countries, such as France and the US, have much shorter timetables for decommissioning. But their stations are based on pressurised water technology, which is simpler than the UK gas-based system.

In Wales, environmentalists plan to fight proposals to decommission the next plant on Nuclear Electric's list: Trawsfynydd in Snowdonia. Their opposition is based largely on the danger of mothballing a radioactive site in an earthquake zone, but they also argue that every generation should clean up its own mess.

The SPRU report supports this view. "Even if future generations will have to do the work and bear the health risk, they should not be left a financial burden as well."

One option the government will have to consider is whether the state should underwrite the cost of cleaning up existing nuclear power stations. This would free Nuclear Electric from a heavy financial burden. But it would merely shift the cost of provisions from the electricity consumer to the taxpayer. And anything that reduced the cost to the nuclear industry would strengthen the case for getting decommissioning over as quickly as possible.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Air France: a revenue problem

From Mr A J Lucking.

Sir, While I agree with much of your editorial, "Flight plan for Air France" (July 25), I believe some factors need more emphasis. The wise men's report indicated that costs and staff productivity at Air France were similar to those at British Airways, although some suspect that the latter's costs are also higher than they should be. An earlier report to the Commission showed Air France's air crew as 12 per cent more productive, and its recovery plan includes a reduction of 1,300 flying staff.

Figures for 1992, published by the Association of European Airlines, show that, if Air France had secured the same revenue rate on its domestic network as did British Airways, it would have earned

\$828m more. Many of the French domestic routes are unprofitable, often because the traffic is very low. Where government considers they are vital to the regional economies, they should be subsidised separately, after the lowest bidder has been selected. Good domestic air links are a vital factor in securing foreign investment in the regions, a point overlooked in the UK as domestic air links to Heathrow are run down.

On the London-Paris route between 1990 and 1993, the sterling on-demand fare rose 32.5 per cent, whereas the franc fare rose 13 per cent. British Airways' highly sophisticated yield control computers also enabled it to secure a much larger share of the passengers paying the higher fares. The Air France recovery

plan includes "a performance yield management system", and this is the vital tool to export the maximum possible amount from the on-demand passengers in particular.

Generally, I suspect, the problems are as much on the revenue as the cost side. And in making profitability comparisons, one should not overlook the advantage conferred by the low rents paid by BA for the nearly 6m sq ft of premises at Heathrow, which were set out in the January 1987 prospectus. For example, until 2005, the annual rent for the 629,500 sq ft cargo centre is £239,710, that is 38p per sq ft. Net of services, similar nearby buildings are priced at about £16 per sq ft.

A J Lucking,
2011 Broad Court,
London WC2B 5QN

Prediction likely to be bad bet

From Mr Michael L Byrne.

Sir, Surely Laura Thompson ("Keep betting in the dark", July 25) is still living in the days of prohibition by suggesting that government deregulation is bad for the betting industry.

She should perhaps reflect on the benefits to the consumer within the brewing and drink retailing industries in the provision of improved leisure facilities. The standards of comfort and catering have never been better.

Her prediction that "the bright new betting shops will lose more customers than they attract" will certainly prove to be one of her worst bets.

Michael L Byrne,
1 Heritage Mews,
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Structural change answer to US deficit

From Professor Charles Kennedy and Professor A P Thirwall.

Sir, Professor Maynard's letter on US foreign indebtedness (July 25) is admirably short, consisting of just two sentences. Unfortunately, the first sentence, although true, is trivial; and the second does not follow from the first. He states that "the US's trade problem (if there is one) lies in the country's low propensity to save, not in an overvalued exchange rate".

Every first year student of economics knows that from the national accounts the balance of payments deficit on current account is necessarily and identically equal to the excess of domestic investment over

saving, but by their second year they ought to know that it is a logical fallacy to infer causation from an accounting identity.

If Professor Maynard wishes the trade balance to be tackled by raising saving (and/or reducing investment) has he thought what that might do to output and employment domestically? He does not seem to envisage the possibility that the simultaneous use of two types of measure might be required.

As the late Professor Tinbergen taught us many years ago, if there are two objectives - internal as well as external balance - then two policy instruments are required from their achievement.

There is a case for dollar depreciation, as Professor Wynne Godley and Mr William Milberg originally argued (Personal View, July 6). On the other hand, one should not expect too much.

In our view, the US deficit, like the UK deficit, has deep structural roots which will only be rectified in the long run by structural change and stronger non-price competition against the more aggressive trading nations of south-east Asia, particularly, of course, Japan.

Charles Kennedy,
A P Thirwall,
The University of Kent at Canterbury,
Canterbury,
Kent CT2 7NP

A load of hot horse air?

From Mr Richard Stead.

Sir, Concerning CO₂ emissions from transport ("Transport to top pollution league", July 25), we have two horses which each consume an estimated four tonnes of carbohydrate a year compared with two tonnes of fuel for our vehicles. Which emits the most CO₂, and how much extra CO₂ is emitted by ecologists with the hot air they put out on the subject?

Richard Stead,
Eileen Shona,
Acharacle,
Argyll PH36 4LR

Communication made easy

From Mr James R Adams.

Sir, Getting the most from information technology (Mr John Dodd, Letters, July 23, commenting on previous articles) could be given a considerable boost at quite a small expense.

The difference between being literate (being able to read) and being computer literate (being able to operate some program) is enormous but unnecessary. Today, F1 summons the "help" menu in many programs. To save, print, create a graph, or whatever else one may wish to

do, involves different sets of key strokes in different orders, according to the program in use.

If hardware manufacturers can agree protocols to allow computers (and fax machines) to communicate, it must be possible for software writers to do the same. The saving for companies (even nations) would be enormous.

James R Adams,
James R Adams & Associates,
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Mindless sort of irritation

From Mr Harold Cottam.

Sir, I would like to make the loudest possible plea for a return to some old-fashioned and sensible telephone answering skills in the many service and other organisations that one has to deal with as a matter of daily necessity.

I surely am not alone in wishing to hang up and phone some other organisation when the person on the other end of the line says: "Hello, thank you for calling the Mutey Sludge Company. This is Kevin/Debbie speaking. How

may I help you?" (How I wish to tell them!) After you have been transferred through a couple more of these over-programmed people, you are definitely left wondering about the real service intentions or qualities of the company you have telephoned.

The person who invented this form of mindless response needs medical treatment urgently.

Harold Cottam,
Penryn,
Dorset,
Hereford HR3 6AD

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Wednesday July 27 1994

Old Lady at three hundred

At 300 years of age the old lady of Threadneedle Street has a new vitality. Mr Eddie George, the governor, enjoys a public influence over British monetary policy unequalled at least since the days of Montagu Norman. The Bank must show it deserves the position history has given it.

Over the half century since its nationalisation, the Bank has been a silent accomplice to a fraud. That can be the only just description for a 30-fold reduction in the value of its liabilities. It is little wonder that governments have lost so much of their credibility. Not only have they perpetrated theft on a scale unmatched by any private fraudster, but full employment, for which the value of the pound was sacrificed, has been further from achievement in recent years than in any previous period, with the arguable exception of the 1950s.

Fortunately, recognition that this has been a mistake is now widespread. Chastened by a series of disasters that ended with sterling's summary expulsion from the ERM in September 1992, the government has handed an exceptional degree of influence over monetary policy to the Bank. Armed with the 14 per cent inflation target, the Bank's inflation report and, most important, with the publication of minutes of meetings between himself and the chancellor of the exchequer, the governor has, if not the power to decide, at least the power to destroy Mr Clarke's credibility.

Mr George must now prove he has both the courage to use that power and the wisdom to use it wisely. He does have the right instincts. In Mr Rupert Pennant Rea, a controversial appointment as deputy governor, he also seems to have the right assistant. Unlike his boss, the deputy is interested in management. By focusing the bank's structure on the twin tasks of monetary and financial stability, Mr Pennant Rea has helped provide the appropriate frame-

work for a re-invigorated Bank. For all that, the Old Lady is assured of no comfortable future. The quality of its judgement of monetary policy is on test as it has not been since the early 1930s. Under the cover of secrecy, it has avoided blame for the disasters of recent decades. That is a luxury it no longer enjoys.

Even the Bank's role in supervision is on trial. This is not only a question of recovering its reputation after the harsh report by Lord Justice Bingham on its handling of the BCCI closure. It is also one of whether hands-on banking supervision is desirable at all.

As Mr Donald Brash, governor of the Reserve Bank of New Zealand, has noted in a recent article in the FT, "depositors might well argue that, since the public sector established the rules within which banks must operate, and had access to vastly more detailed information on bank financial strength than was available to the public, the public sector has a very strong moral obligation to protect depositors in the event of a bank failure." It is partly for this reason that his country has moved to market-based banking supervision. The Bank of England argues that New Zealand is a free-rider on the supervisory activities of others. The question remains, however, whether supervision improves the safety of banks, without also increasing the claims of depositors upon the supervisor.

The Bank may even find itself swallowed up within what it seems bound to regard as a premature move to economic and monetary union within the European Union. That judgement would almost certainly be right, but it would still be a mistake to assume such a move cannot occur this decade. Would the UK have the nerve to stay outside? If not, the Bank of England might have gained only an Indian summer of visible influence over monetary policy. Be it short or not, let it ensure this is a bright one.

Labour's report

In one sense, it is unfair to assess Mr Tony Blair's leadership of the Labour party on the basis of yesterday's policy paper on education. He has, after all, been leader for less than a week. As for the paper, its contents were determined by the party's labyrinthine policy-making committees long before he took up the reins. Yet the prominence Mr Blair accorded education in his leadership campaign means that some sort of assessment is inescapable.

On general sentiments, the paper cannot be faulted. The importance of skills and knowledge in the modern economy is undeniable. The failure of the UK education system - in particular, English schools - to deliver either in sufficient quantities is widely accepted. Few will disagree with the proposition that the quality of education must be raised.

On detailed policies, there is also much to welcome. Broadening the scope of A-levels and a professional structure for the teaching profession are necessary steps. An expansion of nursery education is also desirable. In launching the paper, Mr Blair rightly emphasised the importance of standards and discipline in schools. He also made much of the need to build on the Conservative reform that gave schools control over budgets, in order

to increase their autonomy. But Mr Blair's well-crafted presentation could not disguise the continuing impact on Labour's education policy of the teachers' union. The paper attacks Ofsted, the new inspection service set up to inspect schools more frequently, as insufficiently independent. It rejects the use of tests to monitor schools and teachers. And it describes school league tables as simplistic and flawed, and "not acceptable" as management tools. Parents and taxpayers need simple and objective measures of school performance, including the examination results which are so important for children's life-chances. Instead, Labour promises a deluge of information that will let underperforming schools off the hook.

The verdict - in the words of school reports over the years - is "must try harder". If Mr Blair is serious about putting education at the centre of his agenda for national renewal, he must ensure that Labour's policy papers match his rhetoric. A clearer focus on the ends of education is needed, with less influence for the producers. A first step would be to find a new shadow education secretary. Mrs Ann Taylor, the existing incumbent, appears out of step with his priorities.

China trade

Taiwan's statement yesterday that it is ready to meet the full obligations of a developed country on joining the General Agreement on Tariffs and Trade looks shrewdly calculated. In seeking thus to force the pace of its membership negotiations, Taiwan has thrown down a challenge to Beijing and to Gatt members' acceptance of China's demands that it be admitted first.

The move comes at a delicate stage in China's Gatt accession talks. Beijing hopes to conclude them in time to become a founder member of the World Trade Organisation, due to succeed the Gatt early next year. However, though the political atmosphere has been improved by the US decision to renew China's Most Favoured Nation treatment, decisive breakthroughs have yet to be made. Recent talk in Beijing of presenting Gatt with an accession package in September on a "take it or leave it" basis does not bode well for rapid agreement.

China's size and economic potential make it desirable that it be admitted to Gatt as soon as possible. However, clear conditions must be set for its entry if it is not to risk destabilising the organisation. Above all, Beijing must introduce far more transparency into the workings of its economy which, for all its recent

reforms, is still patterned on the state trading model. It should also commit itself to a fixed timetable for conforming fully with Gatt rules, and to regular international monitoring of its progress.

That argues for granting Beijing a post-entry transition period, a concession which the US, alone and unreasonably, opposes. However, China must also be prepared to negotiate constructively. Any refusal to do so should not become a pretext for the Gatt to self-penalise its admission, once satisfactory terms are agreed. To exclude the world's eleventh largest exporter in deference to the demands of a large country, which is not even a member, would betray Gatt's central principles.

Furthermore, there is no legal basis for requiring that Beijing be admitted first. The new WTO charter neatly sidesteps the contentious issue of defining members as states and customs territories, not states and governments. The Gatt should overcome its fears of antagonising China and break the artificial link between the two sets of accession negotiations. To do so would not only be fair; the prospect of a race between Beijing and Taipei to complete accession talks would concentrate minds in both capitals.

Mr Philippe Bechet says he could always do with a bit more money, but he does not grumble about his pension. Like most of France's senior citizens, who are entitled to a full pension after 37½ years of contributions, the former sales manager receives more than half of his previous salary from the state pensions system.

His children, however, and the rest of their generation cannot regard retirement with such calm. Demographic trends, which will increase the proportion of over-60s in the population from about 20 per cent today to about 27 per cent in 2020 and a third in 2050, are putting state pensions under unbearable strain. Last year, the "pay as you go" system, in which pensions are paid from contributions from the current workforce, incurred a deficit of some FF40bn (£4.8bn).

The realisation of a gathering crisis is pushing France towards a far-reaching reform of its pensions system, with implications which extend far beyond the purses of the over-60s. The changes under consideration could establish powerful private pension funds, provide a significant stimulus to the Paris stock market and, in the long run, reshape the structure of French capitalism.

Some important steps are already under way. By early next month, a law is due to take effect which will provide tax incentives for artisans and independent workers who invest in private pension schemes. The law, called the Madelin Law after its architect, Mr Alain Madelin, minister for enterprises and economic development, will affect an estimated 1.7m workers. One of its aims is to encourage the expansion of private pension schemes so as to provide a complementary retirement income to the state system.

Mrs Simone Veil, minister for social affairs, has also moved to ease the burden on the state pensions system. Last year she reformed existing legislation to extend from 37½ years to 40 years the period which people need to work to qualify for a full pension. She also announced that the full pension would be calculated, from this year, on the basis of a person's 25 best-paid years, rather than an average of the 10 best-paid years, which will result in lower benefits.

These changes, combined with the allocation of revenues from increased taxes on tobacco and higher social security contributions, will reduce the pensions pay-as-you-go deficit this year. But they are not enough to remedy France's underlying structural pensions problems. As a result, the government has faced increased pressure for the creation of a broader system of capitalised private pensions, as exist in most industrialised economies, in which employees invest in pension funds to finance their retirement.

The creation of such pension funds is "urgent and indispensable", says Mr Ernest-Antoine Seillière, vice-president of the Patronat, the French employers' association. "Reforms should be adopted as quickly as possible," he says.

In principle, the government agrees. In January, Mr Edmond Alphandery, the economy minister, said he "greatly hoped" to introduce a bill on pension reform to the National Assembly during the spring. Since then, however, the timetable has slipped. Mr Alphandery is now aiming to introduce a bill during the autumn parliamentary session.

The delay is the result of two factors. Reform of the state pensions system is politically sensitive and has provoked opposition from some trade union groups, which participate in the management of the present system. They perceive pension reform as an attack on their influence and claim that it will act against the interests of the lowest-paid, since it is the wealthy who will be more able to contribute to private pensions systems.

"Private pensions are theft," says Mr Marc Buerie, general secretary of Force Ouvrière, the union organisation.

The spunk of Munk

■ Royal Oak Mines of Vancouver, which bid for Toronto-based mining group Lac Minerals earlier this month, was presumably disappointed when the big guns of American Barrick rolled in with a rival offer at the beginning of the week. But perhaps Royal Oak's executives should extract a glimmer of comfort from Barrick chairman Peter Munk's rather formidable schedule in coming days.

On Monday, the Hungarian-Canadian entrepreneur went straight from briefing analysts and journalists on his Lac intentions to his first lunch and board meeting as chairman of Trizec, North America's biggest publicly-traded property developer. Horsham, another Munk-controlled enterprise, has become Trizec's main shareholder after investing over \$500m to keep the developer afloat.

Today sees him in St Louis for the board meeting of another Horsham subsidiary which is edging towards the purchase of a Texas oil refinery. All this follows a special American Barrick directors meeting 10 days ago at which Munk and his colleagues decided to press ahead with a feasibility study for a \$170m gold mine in Peru.

July normally sees Munk cooling his heels on his private island in a bay off Lake Huron. But it is

Grey on top, thinning below

Reform of the French pensions system could have far-reaching effects on industry and the economy, says John Ridding



At the same time, the government is anxious not to nip France's emerging economic recovery in the bud. "A reform of the pensions system would encourage more long-term savings and could dampen consumption," says Mr Jean-François Mercier, economist at Salomon Brothers, the securities house. Employees would effectively be paying into an additional, private pension scheme, on top of the existing two-tier state system and pay-as-you-go system.

Despite official foot-dragging, however, most observers believe the creation of capitalised private pensions is now a question of when, rather than if. "I am convinced that within one year or 18 months we will have private pension funds," says Mr Jacques Friedmann, chairman of Union des Assurances de Paris (UAP), France's largest insurance group, and a confidante of Mr Edouard Balladur, the prime minister. He describes the Madelin Law as a significant step in this end.

Mr Friedmann is not alone. Politicians, business groups and industry associations, aware that reform is on the way, have been busily preparing their own plans for pensions systems in an attempt to sway the bureaucrats at the economics ministry who are working on Mr Alphandery's proposals.

Among the most influential suggestions are those from Mr Jacques Barrot, chairman of the National Assembly's finance committee, and from the Patronat. Mr Barrot calls for the creation of capitalised pension funds, which would complement the existing state system, and which would provide tax incentives for companies and employees to invest in pension funds. These funds would be set up by individual companies themselves, banks, insurance groups and other financial institutions.

Mr Barrot recommends that at least half of pensions contributions

should be invested in equities, and that a proportion of employee contributions should be invested in employees' own companies. The funds would, however, be managed outside the company. This, he believes, would create a balance between the UK pensions system, in which pension funds are managed independently of companies, and the German system, where pension contributions are incorporated in company balance sheets. As in Germany, this might require an insurance scheme to protect pensioners against corporate bankruptcies.

The Patronat, by contrast, argues that companies themselves should decide whether pension funds should be managed internally or

externally, and that they should be allowed to manage all of the funds themselves and add them to their balance sheets. The employers' organisation also wants employees to have the choice of taking their pensions in a lump sum or through annuities. Mr Barrot is opposed to payment in a lump sum.

The debate, which has also drawn proposals from the Association of French Banks and the French Association of Private Enterprises, centres on these questions of internal versus external management, rules governing the division of investment between stocks and bonds, and the form of payment.

For some involved in the debate, Britain's experience of the Maxwell scandal, in which Mr Robert Maxwell, the late publisher, plundered the company's pension scheme, has

raised concerns about internal management of pension funds. While French companies favour the use of pension funds to bolster their balance sheets, others question the extent to which companies should reinvest the pension contributions from employees.

"Employees already have their jobs tied up with the company. It may not be desirable for them to have their pensions tied up there too," says Mr Jan Twardowski, president of Frank Russell Securities of the US.

The method of payment of pensions has also drawn a sharp divide between France's banks, which favour the availability of a lump sum pay-out, and insurance companies, which support annuities. "Everyone is pushing the system which favours their own expertise," says Mr Alain Leclair, deputy president of asset management at Banque Paribas, the French investment bank. He sees it as an unnecessary battle, which has hindered the process of reform.

The battle, however, highlights the importance of the stakes involved. "It will be a huge market in the future for us," says Mr Friedmann of UAP. "Just for the Madelin Law there will be perhaps FF10bn to FF15bn in premiums; for a broader private pensions system the market will be hundreds of billions of francs."

The competition to manage these funds will be tough, with insurance companies, mutual savings groups and banks all vying for a slice of the new business.

"The creation of a capitalised system of pension funds will not happen overnight," says one insurance industry executive. "But most of the potential competitors are already developing products to cash in on the market."

One of the most important effects will be the creation of powerful institutional investors, a consideration which looms large in the gov-

ernment's thinking. "The government sees the opportunity to kill two birds with one stone," says Mr Leclair at Paribas. In addition to easing pressure on the state pensions system, the creation of pension funds will strengthen the country's financial markets, he says.

For the French government, this is an important incentive. The Paris bourse has grown steadily in recent years - but, with a capitalisation of FF2,600bn at the end of June, it remains smaller than some international rivals such as London, which had a market capitalisation of £577bn for domestic equities at the same date. The creation of powerful institutional investors, such as pension funds, would help the government develop the role of Paris as a financial centre.

"If you take a long-term view, then the best returns on investment are in equities," says one economist at a French merchant bank, pointing to statistics which show an average rate of return for an investment in French equities of more than double the return for an investment in bonds over the past 10 years. "So the creation of pension funds should shift funds to the bourse and give it a strong institutional base."

One important advantage of this would be to support the French government's ambitious privatisation programme. Launched in autumn last year, with the sale of Banque Nationale de Paris, the programme includes the sale of 21 public sector groups, expected to raise more than FF2,500bn. As Mr Alphandery puts it: "As long as important privatisations are in the pipeline, our country must have funds which have the large part of their holdings in shares."

But the implications for the corporate sector spread far beyond public sector companies slated for sale. Pension funds could also help remedy what Mr Elie Cohen, a professor at Paris University, refers to as "capitalism without capital".

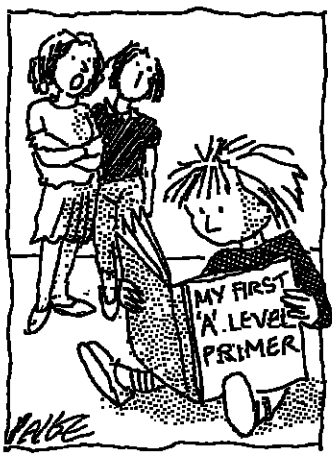
Because of the lack of big institutional investors and the stable long-term shareholders they represent, French industry has been forced to seek alternatives. One such has been a relatively high reliance on bank loans and direct equity investment by banks. Another has been the creation of complex systems of cross-shareholdings, in which companies form so-called *noyau dur* - groups of core long-term shareholders. The recent privatisations illustrate the trend. For example, Elf Aquitaine, the oil group, and Banque Nationale de Paris, one of France's largest banks, took stakes in each other as they left the public sector.

Both recourses, however, have their drawbacks. The experience of Crédit Lyonnais has also shown the limitations of the bank-industry relationship. The state-owned bank, which pushed the system into FF2,500bn in 1987, has outlined a plan to dispose of FF20bn of assets over the next two years as part of its restructuring efforts. Many of the assets to be sold are equity stakes in French companies, heralding a reversal of the industrial banking strategy of Mr Jean-Yves Haberer, the former chairman.

The pattern of cross-shareholdings is also open to criticism. "The system can reduce the rigour of shareholder discipline," says one industry observer in Paris. "There is a risk of cosy corporate relationships based on self-protection rather than the maximising of returns. There is also the question of whether it is the best use of corporate funds to have them tied up in shares in another industrial group, rather than investing them in the company's own core businesses."

Such considerations are far from the thoughts of the retired sales manager, Mr Bechet. But the changes unleashed by the need to provide for his offspring could also resolve a long-standing weakness in the financing of French industry and transform the nature of the economy from which they retire.

OBSERVER



"We're trying to keep ahead of any proposed changes"

last year's upheavals at Barclays when the chairman Andrew Buxton is spotted out-and-about on non-bank business. Buxton is taking over from Sir David Lees as chairman of the CBI's economic affairs committee, and was yesterday on show at Lees' last presentation of the Quarterly Trends survey. Buxton agreed that it would have been harder to find the time for such public duties had he not split the role of chairman and chief executive. Yes, he confessed, he had indeed been reluctant to split the job so quickly after taking the tiller at the bank, but he had eventually succumbed to pressure from institutional

investors. Now, with the arrival of Martin Taylor in the chief executive's seat, he professed himself a total convert. "I'm a walking advertisement for splitting the roles," was his comment.

Patten patter

■ As a cure for post-cabinet blues, John Patten flew to the pages of The Daily Telegraph yesterday in an altogether admirable effort to shift the Conservative party off its collective hind quarters. Observer was pretty impressed by the Patten prose too. How elegantly was the "prize at the end of the perpetual political rainbow" juxtaposed with the "seachange" that "will take 30 years or more to see through". How forcibly did the author convey the desirability of "encouraging the little battalions to be our social warp and weft". Should his words be doled out to GCSE English language students to study and reflect upon? The former education secretary mentions in passing how in 1979 he "swapped life in the intellectual tennis park for life in the political one". One can but hope his journey fifteen years later into the theme park of scribbles will be equally smooth.

Blushing bride

■ The May wedding of Social Democratic prime minister Poul Nyrup Rasmussen and Lone

Dybjaer, a member of Denmark's Radical Liberal party, was a discreet affair. The couple had been living together for two years, and they were anxious to avoid making any undue public fuss as Dybjaer was in mid-campaign for the European parliament.

Safely installed in Strasbourg, however, she and her husband gathered the press together in June to announce the glad tidings.

So the Danish official who recently compiled the new MEP's biography can hardly have reckoned with his subject's increased demands that mention of her marriage to the prime minister be deleted.

"It is completely unacceptable that private details of this kind should be mentioned in an official biography," she asserted.

Beef free

■ Beleaguered British beef exporters, fearful that new European regulations on "mad cow disease" could ruin their livelihoods, can hardly have been cheered by the disarming frankness of their new minister for agriculture.

Not only did William Waldegrave readily admit that his new charges were in for "quite an uncomfortable transition period", but he also let slip that his ideal summer supper menu comprised chilled vegetable soup, a couple of fresh berries and, er, poached salmon.

World Bank attacked for backing Nyerere

By Hans Georgeson in Dar es Salaam and Michael Holman in London

World Bank loans exceeding \$1bn to Tanzania in the 1980s and 1990s helped sustain a "poorly thought out socialist experiment", according to a confidential internal report drawn up by the agency.

The two-volume analysis of relations between the World Bank and Tanzania between 1961 and 1987 is highly critical of the support for former President Julius Nyerere's socialist programme launched in 1967.

The report, obtained by the Financial Times, is still confidential, according to World Bank officials yesterday, though they said this may be reviewed in the light of the bank's new disclosure of information policy.

Mr Nyerere nationalised the country's industries, and some 14m peasants and their families were compulsorily regrouped in "ujamaa", or collective, villages in an effort to make water, health and education more accessible. But the badly planned exercise

World Bank laments its Tanzania role Page 3

disrupted agricultural production.

Since independence in 1961, the bank and other donors have provided nearly \$16bn in aid. The largest single contributor has been the bank, while Sweden, Denmark and Norway have together provided \$3bn. Scandinavian countries have been among the largest bilateral donors.

The hitherto unpublished report, although compiled in 1990, five years after Mr Nyerere retired, throws new light on about the donors' share of responsibility for Tanzania's economic decline.

Many of the issues raised, including problems of aid co-ordination, effective utilisation of assistance, and donor reluctance to disclose policy failures, continue to characterise current efforts to tackle Africa's development crisis. The document suggests that what it sees as Mr

Nyerere's well meaning but impractical socialist vision was indulged by senior bank officials. Mr Robert McNamara, the former US secretary of state, was bank president from 1968 to 1981, most of the period covered by the report.

The report criticises what it calls a "stance of uncritical support for government policies" adding: "Even where risks were noted, the board consistently reiterated that it was the bank's role to be at the forefront of social innovation and change, supporting new approaches to development even at the risk of failure."

"The bank's practice of choosing to accept and not to influence the development path led to considerable difficulty to establish some influence in the eighties."

The report adds: "The bank accepted Tanzania's road to socialism enunciated in 1967 as a fait accompli." Since 1967 and at least until 1980 the bank had viewed Tanzania "as coming close to being a model developing country."

Russian decree will allow companies to own land

By Leyla Boulton in Moscow

Russian companies have finally been given the right to own the land on which they stand, in spite of many concessions to conservatives in a new decree allowing privatisation to continue.

Mr Dmitry Vasiliev, deputy privatisation minister, said yesterday this would enable companies to sell surplus land, or use it to raise cash to restructure and modernise. "This will limit racketeering by bureaucrats," he said, claiming that local authorities often used their ownership rights over land to exert "pressure" on managers.

The decree, a substitute for legislation blocked by parliament, drops original provisions for much broader land privatisation. This is to be covered by separate legislation if approved by parliament.

It also gives local authorities the right to set the price, above a government-established minimum threshold, at which shares in privatised companies can be sold to the public.

It prolongs existing employee benefits, enabling them to buy shares at a discount, and switches from the privatisation ministry to President Boris Yeltsin's office the final decision on the sale of the biggest companies.

Such companies are defined as having assets over Rb200bn or more than 50,000 workers. In practice, this means that local authorities will be able to negotiate their late directly with presidential officials - behind closed doors.

According to a senior official, 103,000 out of 140,000 state-owned companies were sold in the first stage of privatisation for vouchers given free of charge to citizens. But he could not say how many more would be sold since a significant number in sensitive sectors such as nuclear energy are to remain in state hands.

Under a second stage of "post-voucher" privatisation, set out by the decree, all companies will be sold for cash, with 51 per cent of the proceeds to be ploughed back into the companies themselves. The rest will be shared between federal and local authorities. Any company less than 25 per cent owned by the state also now has the automatic right to launch secondary share issues.

Mr Vasiliev expected demand for privatised companies to fall sharply among domestic investors. However foreign investors, who had expressed increasing interest, would continue to receive equal treatment to domestic investors except in areas, such as defence and oil, previously defined as requiring special permission.

DMF acts to woo Kuchma, Page 2

THE LEX COLUMN

Margins for error

It is ironic that the strongest CBI quarterly trends survey since before the recession should also contain seeds of worry about the future. One is the familiar concern about the disappointing level of investment spending. The other is the first signs of inflationary pressure: companies report that unit costs rose slightly over the past four months and are expected to continue on this track over the next four. The main problem seems to be higher raw material costs. Steel prices, for example, have begun to rise, albeit from a low base, and companies must be acutely aware of other input price increases in train or in the pipeline.

The temptation will be to pass on these extra costs rather than absorb them in their margins. To do so could prompt the Bank of England to start raising interest rates again. But the CBI is probably right to suggest that it is too early for the Bank to take pre-emptive action. It will need to see how far price increases stick first, and that is a matter of some doubt.

Besides there are grounds for suspicion that respondents to the survey are over-stating the upward pressure on unit costs. Companies tend to look only at costs at this stage in a recovery and underplay the operational gearing effect that comes with increased volumes. That is another reason for them to make sure margins really are squeezed before they push too hard on prices. Otherwise they risk unnecessarily irritating their customers as well as higher borrowing charges.

Deutsche Bank

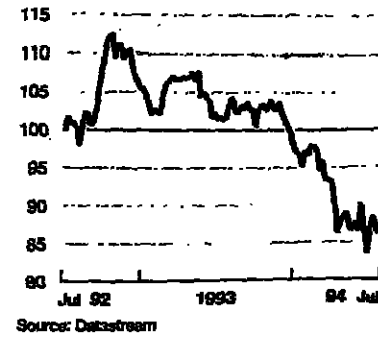
At one level yesterday's first-half results from Deutsche Bank are an extraordinary measure of the organisation's inherent strength. Despite a DM473m hit from the Schneider affair, the bank managed a small increase in operating profits after provisions. The release of sovereign debt provisions and the extraordinary gain from the sale of stakes in Daimler-Benz and the Karstadt store group certainly helped. Presumably, too, the bank has drawn on its hidden reserves - in this regard German bank accounts remain opaque. But the fact that, after Schneider, it was still able to report a fall in net bad debt provisions closely in line with the drop in its trading income is an indication of its ability to overcome formidable operational setbacks.

Less satisfactory is what the results say about the underlying business

FT-SE Index: 3117.2 (+11.1)

Deutsche Bank

Share price relative to the OAX Index



Source: Datastream

development. The loan book is stagnating and the interest margin is coming under pressure, a trend that should continue with the introduction of money market funds. Trading income is likely to remain depressed. Also doubtful is whether commission income will continue to grow at the same pace in the second half.

In short, Deutsche looks like another case of a bank facing growth constraints. Having already cut its bad debt provisions by 46 per cent, there is less room for an earnings boost from improving bad debts as the economic recovery continues. The results may have been somewhat better than the market expected but there is no longer term reason for the shares to outperform.

Gencor/Shell

Gencor has been trying to buy Royal Dutch/Shell's mining interests for over a year, so it is a relief that a deal has finally been struck. Untangling the web of pre-emption rights surrounding assets held in joint ventures has been the main sticking point. Shell has also had to supply \$300m of low-cost finance to get the deal away. It is a measure of the forces driving both sides that these problems have been overcome. Gencor badly wanted a deal which would propel it into the top tier of international mining companies. Shell has realised what BP acknowledged in 1989: that oil companies bring nothing to mining.

The question is whether yesterday's deal will do for Gencor what the acquisition of BP Minerals did for RTZ. Much turns on commodity prices. While RTZ took a gamble on the cop-

per price and won, Gencor is placing a similar bet on aluminium. Since it is buying near the bottom of the commodities cycle, the odds appear to be heavily stacked in Gencor's favour. While there are risks of a price correction, the recovery trend is clear. Integrating its new mining assets with aluminium smelting and stainless steel manufacture in South Africa should also bring benefits.

It is not clear that Gencor's big step on to the international scene will be enough to entice foreign fund managers. Complex cross-holdings, poor liquidity and the cumbersome mechanism of the financial rand are all reasons for international funds to steer clear. If these barriers come down, though, Gencor may have just lifted itself towards the top of the shopping list.

Forté/Savoy

Savoy's stock exchange statement contained many mysteries: not least, why it made it at all. The announcement added little to market knowledge and was chiefly remarkable for what it left unsaid. Doubtless, Forté thinks it worthwhile talking to the shareholders about co-operation between the two hotel groups. It may well have much to offer in terms of joint marketing agreements, reservation systems and staff training. But the real unsaid point at issue is that of control. The long-running war for Savoy is hotting up again.

Forté already speaks for 42 per cent of the voting shares but its standstill agreement not to buy more shares complicates matters. Forté is clearly growing restless and appears to have blocked the proposed appointment of Sir Roger Gibbs as Savoy chairman. In talking to the family trusts, Forté is opening up another front and must be hoping to win majority control without resorting to a bid. The trusts may well be more amenable given the Savoy's dismal trading record and the halving of its dividend last year. The company's weighty non-executive directors now have a critical role to play in encouraging any constructive proposals from Forté while defending the interests of all shareholders. Forté badly needs a success. The company was embarrassingly wrong-footed in its attempts to buy the Ciga hotels and it now appears as though the Meridien chain might evade its grasp. Some forward momentum is required if Forté's shares are to sustain their lofty rating.

Clinton aides 'breached no standards' over Whitewater

By Jurek Martin in Washington

Mr Lloyd Cutler, the White House legal counsel, told Congress yesterday that President Bill Clinton's close aides had breached no ethical standards in discussions with government regulatory officials in connection with the savings and loan institution at the heart of the Whitewater affair.

He also asserted, in testimony to the House banking committee, that there was no evidence that any regulatory agency had altered its approach as a result of representations by White House officials. "Nothing happened," he said bluntly.

Mr Cutler reiterated that "there were too many people involved in those discussions and some of those discussions should not have occurred".

It would have been better if exchanges had been confined to legal counsel at the White House and Treasury and procedures

were now in place to ensure this. But such was the media interest in Whitewater over the winter that it was not unreasonable for those responsible for press relations at the White House to try and find out exactly what was going on in the regulatory agencies, he added.

Mr Cutler's detailed testimony, interrupted by the joint address to Congress by King Hussein of Jordan and Mr Yitzhak Rabin, Israeli prime minister, was given to the first congressional hearings on the Whitewater affair, involving Mr and Mrs Clinton's financial and land dealings in Arkansas in the 1970s and 1980s.

He declined to criticise any individual, with the possible exception - and then only by implication - of Mr Roger Altman, deputy secretary of the Treasury, for having told a New York Times editor, before informing the White House, that he would excuse himself from his savings and loan regulatory

duties. Mr Altman was then acting head of the Resolution Trust Corporation, the agency formed to clear up the savings and loan mess of the 1980s.

Congressman Henry Gonzalez, the banking committee chairman, laid down tough rules for the hearings which limited questioning only to "Washington end" of Whitewater.

Mr Cutler addressed the question of Mr Clinton's own involvement in the investigations into Madison Guaranty, the defunct Arkansas savings and loan institution at the heart of Whitewater. The president had approached Mr Eugene Ludwig, comptroller of the currency, while both were at a holiday retreat over the last new year and suggested a further talk.

Word got back to Mr Joel Klein, deputy White House legal counsel and present at the same retreat, who promptly told the president it would be better to seek advice from someone else.

UN role could help Rwandan refugees

Continued from Page 1

It was Gen Kagame's philosophy of a united Rwanda that prevented the RPF wreaking massive revenge upon the Hutu population for the massacre of the Tutsi population that began in April. That was sparked by the death of Gen Juvenal Habyarimana, the country's former president, in an air crash.

Gen Kagame says those who did not take part in the massacre

have nothing to fear from the new government. But he pledged to bring all those suspected of killing to trial. At present, however, he says the RPF is only holding "a few dozen" prisoners of war. To avoid revenge masquerading as justice, he says he would welcome an international war crimes tribunal.

Although Gen Kagame declared victory last Monday after the former Hutu-supremacist government had fled into

Zaire, his soldiers have not yet entered the south-west of the country, where a French intervention force has set up a "safe haven" for hundreds of thousands of Rwandans displaced by the civil war, in part to avoid another massive exodus of refugees and another humanitarian catastrophe. But Gen Kagame has demanded the disarmament of Hutu militias and soldiers of the defeated army who have taken refuge behind French lines.

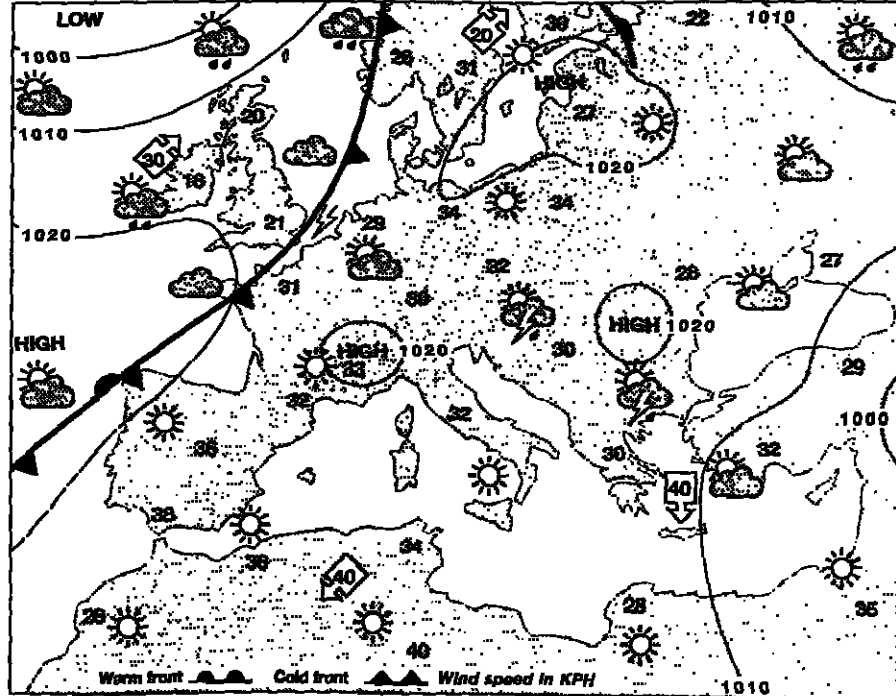
FT WEATHER GUIDE

Europe today

Most of the continent will be sunny with temperatures above 30C. Poland and east Germany will be especially hot with readings around 35C in many places. Rain and thunder showers will be scattered around the Balkans and eastern Austria. Strong northerly breezes between Greece and Turkey will keep temperatures below 30C. A cooler air mass will move into England, which will be cloudy with the possibility of rain. Ireland and Scotland will have some sun.

Five-day forecast

Unseasonably high temperatures will prevail, apart from the North Sea and Atlantic coasts. Central Europe, Spain and southern France will regularly see temperatures of 35C. Thunder showers will form mainly in France, the Low Countries and Switzerland. A south-westerly air flow over the British Isles will provide a mixture of sunny periods, cloud and scattered showers.



TODAY'S TEMPERATURES

	Maximum	Minimum
Abu Dhabi	35	25
Aden	35	25
Algiers	35	25
Amsterdam	22	15
Athens	35	25
Bahia	35	25
Bangkok	35	25
Barcelona	35	25

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteorological Service of the Netherlands

Caracas	35	25	Faro	30	20
Casablanca	35	25	Frankfurt	30	20
Chicago	35	25	Geneva	30	20
Cologne	35	25	Glasgow	30	20
Dakar	35	25	Hamburg	30	20
Dallas	35	25	Helsinki	30	20
Delhi	35	25	Hong Kong	30	20
Dubai	35	25	Istanbul	30	20
Dublin	35	25	Jerusalem	30	20
Edinburgh	35	25	London	30	20
			Madrid	30	20
			Moscow	30	20
			Munich	30	20
			Nairobi	30	20
			Nassau	30	20
			New York	30	20
			Nice	30	20
			Osaka	30	20
			Paris	30	20
			Perth	30	20
			Prague	30	20
			Rangoon	30	20
			Reykjavik	30	20
			Rio	30	20
			Roma	30	20
			S. Francisco	30	20
			Seoul	30	20
			Singapore	30	20
			Stockholm	30	20
			Sydney	30	20
			Taipei	30	20
			Tel Aviv	30	20
			Tokyo	30	20
			Toronto	30	20
			Vancouver	30	20
			Verona	30	20
			Vienna	30	20
			Warsaw	30	20
			Washington	30	20
			Wellington	30	20
			Winnipeg	30	20
			Zurich	30	20

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La Fort Saint Martin 1991 BORDEAUX AOC A classic Merlot/Cabernet blend with sweet berry fruit, from the rolling hills just south of Saint-Estienne.	Château de Fausse 1992 BORDEAUX SUPERIEUR AOC Smooth, oak-matured claret from a family owned property dating back to the 12th century.

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FINANCIAL TIMES COMPANIES & MARKETS

Wednesday July 27 1994

OVERSEAS MOVING
BY MICHAEL GERSON
081-446 1300

IN BRIEF

Nabisco rises 35% despite US decline

RJR Nabisco, the US tobacco and foods group, shrugged off an 11 per cent decline in domestic cigarette sales to post a 35 per cent increase in second-quarter profits to \$192m.

Excluding extraordinary items, RJR's first-half profits rose to \$960m, up from a comparable \$862m a year earlier. The company said improved domestic tobacco margins, rising international cigarette sales, and a strong performance from its worldwide food businesses were behind the advance during the quarter. Page 14

Mitsui advances 23%

Mitsui, the Japanese computing services group, reported a 23 per cent increase in annual profits helped by regulatory changes in the insurance industry favouring increased computerisation. Page 21

Banco Santander secures pole position

Banco Santander, the Spanish banking group which last April paid just over \$20m to acquire Banco Español de Crédito (Banco), posted strong first-half results yesterday to secure itself as Spain's leading bank. Page 14

USAir pilots make offer

Pilots at USAir, the sixth-largest carrier in the US, have offered to make payroll concessions of \$750m during five years in exchange for an equity position in the airline. The proposal is a response to USAir's \$1.1bn cost cutting plan. Page 16

Foodland assault over

Coles Myer, one of Australia's largest retailers, and Rank Commercial, the New Zealand-based company owned by Mr Graeme Hart, yesterday withdrew from their takeover assault on Foodland Associated, the Western Australian grocery business. Page 15

Daewoo sales up 26

Daewoo, South Korea's fourth-largest conglomerate, reported a 26 per cent increase in sales for the first half of 1994, according to preliminary results. The group is confident that it can achieve its sales targets for the year. Page 16

Dalepak Foods profits fall

Dalepak Foods, the maker of frozen and chilled products, recorded a drop in pre-tax profits from \$2.21m to \$2.14m in the year to April 30. Turnover declined from \$42.2m to \$36.5m. Page 20

UK life insurance divided

The UK life insurance industry is divided into Euro-enthusiasts and Euro-sceptics over the immediate importance of the European market. One of the most prominent Euro-sceptics is Prudential Corporation, the UK's largest life insurer. Page 20

UK wheat not up to scratch

UK wheat farmers risk losing market share to French and German rivals if they fail to grow enough quality bread grain to meet millers' needs, according to Banks Hovis McDougall, the flour milling and baking group. Page 23

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Chief price changes yesterday

FRANKFURT (DEM)		Seaports	390 + 44
Alcoa	271.5 + 6.5	Liquid	6520 + 270
Dagmar	204.5 + 13.5	Reichbank	454 + 22
Lufthansa	720 + 20	Valuatic	304 + 21
Volvo	281.9 + 5.9	Polis	462.5 - 17.5
Wolfs	280 + 5.9	AF	462.5 - 17.5
Paris	226 - 7	TOYOTA (Yen)	
Japan's Tokyo	226 - 7	Alcoa	1150 + 50
Black & Decker	20 + 14	Green Cross	1150 + 50
General Elec	174 + 16	Shimizu	598 + 34
Orbit	104 + 23	Polis	462.5 - 17.5
Platts	30 - 14	Carroll Finance	525 - 30
Sanofi	280 + 8	Kaiser Steel	380 - 12
James Appell	26 - 64	Hydro Shale	488 - 21
Lucas Ltd	35 - 49	NTN	680 - 29
PARIS (FRF)			
Alcoa	458 + 22		

New York prices at 12:55

SPY Index	183 + 13	Agly	140 + 7
Bentley	167 + 9	Seacon	87 + 3
General Elec	172 + 10	WoodLog	444 + 4
First Union	235 + 10	Worley Parling	53 + 9
General	214 + 28	Polis	462.5 - 17.5
General TV A	185 + 20	Shimizu	598 + 34
IBM	122 + 11	Carroll Finance	525 - 30
Hollister Tech	217 + 14	Kaiser Steel	380 - 12
Julius Tiedel	242 + 15	Hydro Shale	488 - 21
Leontis	242 + 15	NTN	680 - 29
Parabank	242 + 15		
PARIS (FRF)			
Alcoa	458 + 22		

Operating profit up 1% at DM2.66bn ■ Improvement in bad debt provisions

Deutsche Bank inches ahead at half year

By Christopher Parkes
in Frankfurt

Deutsche Bank managed a 1 per cent rise in first-half operating profit to DM2.66bn (\$1.69bn), despite a sharp fall in earnings from own account trading.

The results were bolstered by a 46 per cent reduction in new provisions for bad and doubtful debts to DM985m from the DM1.44bn set aside in the same period of 1993.

Mr Hilmar Kopper, chairman, said at a press conference yesterday that full-year operating earnings would be above average. Last year's DM5.27bn had been an exceptional result.

Although he made no dividend predictions, he pointed out that the bank had already earned the DM780m needed to cover an unchanged payout.

Deutsche, the first of the main German banks to report half-year figures, made just DM323m on its own account trading, down from DM996m. According to Mr Kopper, profits from own account trading in equities and securities exceeded expectations but the bonds business fell short.

Provisions for bad debts were reduced after some DM200m of country risk provisions had been written back because of debt reschedulings.

Mr Kopper said the economic recovery in Germany and improved prospects for Deutsche's core customers in medium and small-scale businesses had also helped provisions.

The improved outlook for domestic risks was reflected in a provisions fall at the German parent, Deutsche Bank AG, from DM1.65m last time to DM512m.

The amount set aside to cover potential losses from the collapse of Mr Jürgen Schneider's property business has been set at DM478m - less than the DM500m announced earlier.

The group's net commission income rose almost 6 per cent to DM33bn, with positive contributions from most financial service divisions.

Equity sales were the main factor behind rising receipts in the securities operation, while income from sales of investment certificates and syndicated business "roughly matched the good result of last year".

Net interest earnings of DM5.8bn were virtually unchanged despite a contraction of 0.12 percentage points in the overall interest margin to 2.09 per cent.

Although net earnings per share fell from DM46 to DM40, Mr Kopper said this would change at the year-end. Operating profits per share had risen DM1 to DM112.

German banks compare interim results with the relevant fraction of the previous year's final outcome: in this case six-twelfths of the 1993 figures.

Yesterday's report also provided further evidence of rationalisation, with about 2,000 domestic jobs cut.

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The amount set aside to cover potential losses from the collapse of Mr Jürgen Schneider's property business has been set at DM478m - less than the DM500m announced earlier.

The group's net commission income rose almost 6 per cent to DM33bn, with positive contributions from most financial service divisions.

Equity sales were the main factor behind rising receipts in the securities operation, while income from sales of investment certificates and syndicated business "roughly matched the good result of last year".

Net interest earnings of DM5.8bn were virtually unchanged despite a contraction of 0.12 percentage points in the overall interest margin to 2.09 per cent.

Although net earnings per share fell from DM46 to DM40, Mr Kopper said this would change at the year-end. Operating profits per share had risen DM1 to DM112.

German banks compare interim results with the relevant fraction of the previous year's final outcome: in this case six-twelfths of the 1993 figures.

Yesterday's report also provided further evidence of rationalisation, with about 2,000 domestic jobs cut.

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per, profits from own account trading in equities and securities exceeded expectations but the bonds business fell short.

Provisions for bad debts were reduced after some DM200m of country risk provisions had been written back because of debt reschedulings.

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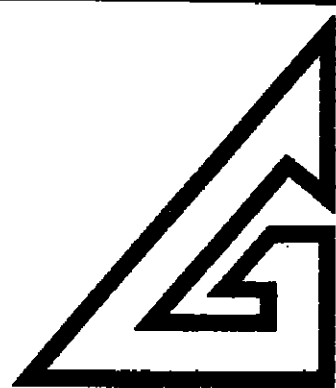
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GENCOR

Gencor Limited

(Incorporated in South Africa. Registration number 01/01232/08)
(Gencor)

INTRODUCTION

Gencor is pleased to announce that a Framework Agreement has been signed by Shell and Gencor for the acquisition by Gencor of certain assets from Shell's metals division. The agreement sets out the sequence of events for execution of the transaction and the conditions to be satisfied or waived prior to its completion, which is expected to take place around the end of the third quarter of 1994.

THE TRANSACTION

Subject to satisfaction of the outstanding conditions, Gencor will acquire from Shell, with effect from 1 July, 1994, a substantial part of Shell's metals division (the "Billiton Assets"). The assets are principally engaged in the mining, processing and marketing of bauxite, alumina, aluminium, nickel, gold, zinc and lead.

The consideration for the Billiton Assets has been agreed at US\$1,219 million, subject to adjustment principally to reflect the change in net capital employed between 31 December, 1992 and 30 June, 1994 (see below - Funding of the Acquisition). All inter-company accounts between Shell and the Billiton Assets will be settled either in the ordinary course of business or at completion.

Other than in respect of Bogosu in Ghana, to the extent that any net debt, either with third parties or with Shell, is assumed with the acquisition of the Billiton Assets, the price will be reduced accordingly. Existing project finance loans of approximately US\$46 million will be assumed by, and ring-fenced within, Bogosu, with no recourse against the other Billiton International assets.

The Billiton Assets together with the Gencor group's ordinary share interests in Richards Bay Minerals ("RBM") and the Sao Bento gold mine ("Sao Bento"), will be contributed into a major new international natural resources group. The holding company of this group will be called Billiton International (BVI) Limited ("Billiton International"), and will initially be wholly-owned by Gencor.

The approval of the South African Reserve Bank has been obtained to proceed with the transaction.

RATIONALE FOR THE TRANSACTION

The transaction secures for Gencor a major international portfolio of high quality operations, and consolidates its position as a world class natural resources group. It also provides Gencor with a substantial international base for future growth.

The majority of the operations that constitute the Billiton Assets are well established, have proven local management, comply with high operational standards, are relatively low cost producers and are cash generative. Where assets are owned through joint venture agreements, the major joint venture partners are mostly companies of recognised international stature.

The acquisition was negotiated during a period when commodity prices, and in particular aluminium prices, were depressed, and Gencor believes the price paid to be reasonable in relation to the underlying economic value. The Billiton Assets, together with Gencor's existing portfolio, should provide strong earnings growth upon an improvement in world commodity markets.

In due course Gencor expects to derive additional benefits:

- the individual exploration programmes of the Billiton Assets and Gencor will be co-ordinated to optimise the likelihood of success;
- bauxite and alumina production constitute the essential upstream raw material chain for the manufacture of aluminium. Some 400,000 tonnes per annum of Billiton International's alumina production will be supplied to Alusaf, a major aluminium smelting facility in which Gencor has a 41% interest, and which is presently expanding its aluminium production capability to 646,000 tonnes per annum. It is likely that further quantities of alumina will in due course be supplied by Billiton International to Alusaf, since South Africa has no bauxite reserves of economic significance;
- the ferro-nickel output of Cerro Matoso is well suited to the Columbus stainless steel plant in which the Gencor group has a 33 per cent. interest. South Africa's nickel production, a significant proportion of which is produced by the Gencor group, is at present sufficient in quantity to meet the requirements of Columbus but is of a quality (Class 1) that significantly exceeds the input specifications for stainless steel making, and could potentially earn higher revenues if exported; and
- The Billiton Marketing and Trading organisation, headquartered at Leidschendam in The Netherlands, with offices in key locations around the world, will provide marketing outlets for the wide range of metals and minerals produced by the Gencor group.

After completion of the transaction, Gencor will be one of the most diversified international natural resources groups, with its income derived principally from seven world class commodity businesses: gold, platinum group metals, coal, ferroalloys, titanium minerals sands, alumina and aluminium, and nickel.

THE BILLITON ASSETS

The Billiton Assets are located in 15 countries and include:

- participations in joint ventures involved in alumina refining in Brazil, Australia and Suriname and in aluminium smelting operations in Brazil;
- mining activities in nine countries mainly related to bauxite, nickel, gold, zinc and lead;
- a portfolio of exploration rights;
- a global metals marketing and trading network; and
- a services company providing commercial and technical support to the group.

A summary table of the principal Billiton Assets by commodity is set out below.

Asset name	Location	Description	Interest (%)	Total 1993 production (p.a.)
Bauxite, alumina and aluminium				
Worsley	Australia	Bauxite mine and alumina refinery	30	8 million tonnes 1.6 million tonnes
MRN	Brazil	Bauxite mine	14.8	8.0 million tonnes
Alumar	Brazil	Alumina refinery	36	1 million tonnes
		Aluminium smelter	46.35	350,000 tonnes
Valesul	Brazil	Aluminium smelter	41.5	85,000 tonnes
BMS	Suriname	Bauxite mine	78	2.0 million tonnes
		Alumina refinery	45	1.5 million tonnes
Boké	Guinea	Bauxite mine	3.06	11.5 million tonnes
Aughinish	Eire	Alumina refinery	35.0	1.1 million tonnes
Nickel				
Cerro Matoso	Colombia	Nickel mine	52.31	44.5 million pounds
Precious Metals				
Bogosu	Ghana	Gold mine	81.23	90,000 troy ounces
Pirna	Indonesia	Gold mine (also silver and barite)	90	47,000 troy ounces
Lirang				
Other				
Sebaste	Canada	Copper and zinc mine	100	33,000 tonnes ¹ 54,000 tonnes ¹
Paring ²	South Africa	Zinc and lead mine	100	30,000 tonnes ¹ 5,000 tonnes ¹
Marketing and Trading	Primarily Netherlands, UK, France, Germany and Japan	Marketing and trading	100	N/A
Commercial and Technical Services	Netherlands	Commercial and technical	100	N/A

Notes:

- ¹ In concentrate.
² To be held directly by Gencor.

Acquisition of certain Billiton Assets from Royal Dutch/Shell Group of companies ("Shell")

• Framework Agreement signed between Gencor and Shell whereby Gencor is to acquire the Billiton Assets for US\$1,219 million (subject to adjustment). Completion subject to satisfaction of certain conditions.

• The transaction will secure for Gencor a major international portfolio of assets and consolidates Gencor's position as a world class natural resources group.

• Gencor will contribute its ordinary shares in Richards Bay Minerals and the Sao Bento gold mine which, together with the Billiton Assets, will form Billiton International, a major new natural resources group controlled by Gencor.

• Debt funding, without recourse to Gencor, from a syndicate of international banks and from bonds exchangeable into the equity of Billiton International. Gencor will also contribute US\$335 million in cash.

• Benefits for Gencor include:

- internationalisation and diversification;
- enhanced exploration capability;
- assured sourcing of bauxite and alumina for Alusaf and ferro-nickel for Columbus; and
- new international marketing outlets.

Certain of the joint venture assets are subject to agreements in which pre-emption rights, which would normally arise on a change of control, are vested in joint venture partners. Other than in respect of Aughinish, the relevant joint venture partners have indicated their agreement in principle for the purchase by Gencor. Discussion with these partners are continuing and are expected by Shell to result in a satisfactory outcome.

The acquisition of the Boké mine, which supplies bauxite to Aughinish, is linked to the acquisition of Aughinish. In the event that Aughinish and Boké are not ultimately included in the Billiton Assets, the price payable of US\$1,219 million will be reduced accordingly.

DUE DILIGENCE

Gencor and the banks which are to provide the acquisition facilities have conducted an extensive due diligence exercise. Technical and environmental issues were evaluated principally by Hatch Associates of Canada, and financial and accounting issues by KPMG. Lawyers co-ordinated the evaluation of legal issues and engaged local firms of lawyers in countries where they were not represented. The programme was supervised by a team of specialist Gencor managers drawn from relevant disciplines, and by representatives of the banking consortium having technical, mining and financial expertise.

Particular attention was paid to environmental issues and, where uncertainty existed, second opinions were sought from Stiffen, Robertson & Kirsten. Gencor's internal financial assessment has taken account of identified environmental liabilities.

MANAGEMENT

Gencor and Shell will be jointly involved in the management of the Billiton group until completion of the transaction, whereafter Gencor will assume sole responsibility. An important asset being acquired and retained by Gencor as part of the overall transaction is the Billiton management team. This will ensure continuity over the period of change in ownership, and also constitutes a nucleus of internationally experienced executives for the pursuit of future opportunities. A small number of appointments to Billiton International will be made from within Gencor. In particular, Mr. David Munro, formerly in charge of Gencor's manganese interests, has been appointed Managing Director designate of Billiton International.

FUNDING OF THE ACQUISITION

Based on an anticipated reduction in net capital employed of US\$90 million, the price of US\$1,219 million is expected to be adjusted to US\$1,129 million. In addition, Gencor has committed to making a capital injection of US\$15 million into BMS in Suriname following completion of the transaction. Accordingly, the total required resources are expected to be US\$1,144 million which will be funded as follows:

	Notes	US\$ million
Cash	(1)	335
Drawdown under debt facilities	(2)	509
Exchangeable bonds	(3)	300
		1,144

(1) Cash

Gencor will provide approximately US\$335 million in cash, most from the sale of certain non-core offshore assets, including the shareholding in TransAtlantic Holdings PLC and Gencor's North Sea interests.

(2) Acquisition debt facilities

A group of international banks is in the process of arranging seven year acquisition debt facilities amounting to US\$430 million for the new Billiton International group, together with a US\$170 million revolving facility to refinancing and, as necessary, to supplement working capital.

The facilities will be structured so that the banking syndicate will not have recourse to Gencor or to Billiton's interest in RBM. The loans will, however, be secured on the other principal assets of the Billiton group, and on dividends paid by RBM to Billiton.

The terms of this funding package reflect the complexity and unusual features of the overall transaction and the fact that the Billiton Assets had not previously been structured in a single integrated group with its own consolidated financial history. The margins are higher than those at which corporate debt would normally be available to an established enterprise engaged in similar activities to those of Billiton International. Accordingly, provision has been made in the relevant agreements for pre-payment of the banking finance without premium or penalty, and it is a priority for Gencor that the debt be refinanced on conventional terms well before final redemption.

(3) Exchangeable bonds

Billiton Group (BVI) Limited, a wholly-owned subsidiary of Billiton International, will issue exchangeable bonds with a nominal value of US\$300 million, for which a member of the Shell group will subscribe. Bondholders will have no recourse to Gencor. They may at any time elect to exchange their bonds for ordinary shares in Billiton International in accordance with the table below, failing which, the bonds will be redeemed in 2004. The bonds will not bear interest until 1 July, 1997, but will be entitled to a percentage of any Billiton International dividend payments in accordance with the table below:

	Approximate exchange % of equity	Approximate % of dividends
Before	30.6.95 30.6.96 30.6.97	29.5 27.5 25.0
After	1.7.97	24.5 22.0

*Subject to a minimum coupon rate of 5 per cent. from 1 July, 1997.

(4) Financing costs

An important objective during the funding negotiations - when the market price of aluminium was below US\$1,200 per tonne - was that the aggregate financing costs should not prove excessive during the first two or three years, when the risk of a continuing low aluminium price was perceived to be material; the expectation of a higher aluminium price thereafter seemed reasonable. The Board of Gencor believes that the combined package of debt and exchangeable bonds reasonably achieves this objective. For the purposes of Gencor's internal projections, and should the current 3 month US\$ LIBOR rate of 4 1/4 per cent. persist, Billiton's effective funding cost on the combined debt and exchangeable bond package would, in the absence of bond conversion and dividend payments, be approximately 5.2 per cent. per annum.

CONDITIONS PRECEDENT

Completion of the transaction will be subject, *inter alia*, to the following conditions precedent:

- the finalisation of the funding arrangements;
- receipt of outstanding pre-emption waivers and consents;
- receipt of certain other consents, including that of the European Union Merger Commission; and
- Gencor shareholders' approval.

It is currently anticipated that the transaction will be completed around the end of the third quarter of 1994. Should the conditions not be satisfied by 31 December, 1994, the transaction may not proceed. Gencor shareholders are advised to exercise caution in dealing in their Gencor shares until the completion of the transaction is confirmed.

FINANCIAL PERFORMANCE, EFFECTS AND PROSPECTS

The Billiton Assets represent a combination of companies, operations, assets and joint ventures which have not been reported on as a single entity in the past. An aggregated financial history for the Billiton Assets based on the financial results of the individual operations is set out in an Accountant's Report by KPMG to be published in a circular to be sent to Gencor shareholders shortly. The table below sets out certain key financial information drawn from that report:

Year ended 31st December	1989	1990	1991	1992	1993
Profit/(loss) before interest and tax (US\$m) (Note 1)	345.7	154.0	19.7	(17.2)	(3.2)
Capital expenditure (US\$m)	171.6	353.4	65.9	81.0	34.6
Depreciation (US\$m)	81.9	79.0	107.9	135.1	133.6
Average aluminium price (\$/tonne) (Note 2)	1,955	1,640	1,303	1,255	1,139

Notes:

- After depreciation and minority interests but before the effect of material items that are not regarded to be of a sustainable nature, principally certain foreign exchange gains and losses, provisions for redundancy costs, and gains and losses on disposals of investments.
- London Metals Exchange ("LME") cash price for 99.7% purity aluminium (source: Datastream).

Following the acquisition, Gencor will apportion the total purchase price to the assets and liabilities acquired in accordance with generally accepted accounting principles and will determine appropriate economic lives to apply in calculating future depreciation charges. Certain other changes in accounting policies may also be required to bring Billiton International's accounting policies in line with those of the Gencor group.

Pro forma attributable income for 1993 for the enlarged Gencor group, including the Billiton Assets, is set out below. This is based on Gencor's pro forma results for the 12 months ended 31 August, 1993 and on aggregated adjusted financial information for the Billiton Assets in respect of the 12 months to 31 December, 1993, translated at the average Commercial Rand rate for the period of US\$1 = R3.27. Gencor's pro forma results assume that the distribution in 1993 of certain assets to its shareholders had been completed at the commencement of that financial year. Adjustments made to the results reflect estimates of revised asset lives and values for the Billiton Assets and estimates of the funding costs and arrangements, and taxation charges that would have been applicable had the assets been grouped in the proposed acquisition structure.

	Pro forma Gencor	Pro forma enlarged Gencor	Change
Pro forma 1993 attributable income R million	612	556	(9.2%)
Cents per share	44.5	40.4	(9.2%)

The above pro forma attributable income for the enlarged Gencor group assumes conversion of the exchangeable bonds and, accordingly, a 70.5% shareholding in Billiton International throughout the period.

The results of the Billiton Assets incorporated in the pro forma attributable income covered a period of relatively depressed prices for aluminium and alumina, sales of which represented approximately 60 per cent. of the total turnover of the Billiton Assets in 1993. The alumina production is largely sold on a contractual basis at prices linked to the LME aluminium cash price. Gencor has estimated that, had the average aluminium price achieved by the Billiton Assets during 1993 been approximately US\$150 per tonne higher than that actually achieved, there would, on a fully diluted basis, have been no reduction in the enlarged Gencor's pro forma attributable income for the period.

In keeping with group practice, Gencor will equity account for its interest in Billiton International and, accordingly, will include that interest in its balance sheet at cost plus Gencor's share of retained earnings. Even assuming a 29.5% dilution in its holding in Billiton International as a result of the exchangeable bonds' equity conversion rights, the transaction will have no material initial impact on Gencor's net asset value.

The acquisition of the Billiton Assets will increase Gencor's exposure to the aluminium industry, which has recently shown signs of recovery from its earlier depressed state. Should this trend continue so that the aluminium price were eventually to rise to the levels of four to five years ago, aluminium could conceivably contribute the majority of Gencor's earnings. In that favourable event and in the absence of material changes in its other assets, Gencor might seek to bring about a greater equality between the earnings from its various businesses, possibly by listing Billiton International or a proportion of the combined Gencor/Billiton aluminium interest.

OPINIONS

The Gencor directors are of the opinion that the transaction as a whole is in the best interest of Gencor. The commodities to which Gencor is increasing its exposure through the acquisition of the Billiton Assets have shown signs of recovery in 1994, and given a continuation of the trend, the Billiton Assets should make a positive contribution to Gencor's earnings in the first full year after the acquisition.

SHAREHOLDER APPROVAL

Shareholders will receive a circular setting out further details of the transaction, including the notice of a general meeting of Gencor shareholders to consider the proposed acquisition. The circular will be posted as soon as practicable. It will include a letter from S.G. Warburg & Co. Ltd, who, together with Warburg International, have provided financial advice to Gencor in this transaction. This letter will contain an opinion, subject to the satisfactory conclusion of final documentation, that the transaction is fair to Gencor.

Gencor's two major shareholders, Sankorp Limited (31.9 per cent.) and Rembrandt Group Limited (13.8 per cent.), have indicated that they intend to vote in favour of the proposed acquisition.

Johannesburg 27 July 1994

INTERNATIONAL COMPANIES AND FINANCE

Kodak profit fall blamed on costs and soft demand

By Richard Waters
in New York

Eastman Kodak, the US photographic products group, continued to suffer from strongly rising costs and weak revenue growth in the second quarter, resulting in profits below those expected by most analysts.

The company, in the middle of a shake-up aimed at focusing resources on its imaging business, was also held back by the weak dollar and one-off costs, including a write-down of some inventory.

"We have said before that 1994 would be a challenging year," said Mr George Fisher, the company's recently appointed chairman and chief executive.

The latest quarter's figures had also been harmed by a continued softness in demand in our office imaging business," he added.

Since Mr Fisher took charge Kodak has announced plans to sell its non-imaging businesses, including Sterling Winthrop, the drug company. Selling the health businesses is not expected to lead the company to

report a book loss, Mr Fisher said.

Costs during the latest three months rose by 6 per cent, to \$3bn, while revenues edged up only 2 per cent, to \$3.5bn. Kodak also announced after-tax charges of \$30m for write-downs of some inventory and servicing agreements. It refused to give further details of the charges.

After-tax earnings for the period, at \$264m, or 79 cents a share, were down from \$371m, or \$1.13, a year ago.

The decline also reflects the falling US dollar. Currency differences accounted for a \$67m decrease in net earnings compared with the year before, and \$107m in the first half as a whole.

The company said this was partly the result of the ending of beneficial currency hedges which had boosted profits last year. It declined to give details of its hedging strategy, or the other factors that contributed to the negative currency effect.

For the first half of the year, net income fell to \$346m, from \$520m (before accounting changes) in the first six months of 1993.

Earnings dive 74% at Bear Stearns

By Patrick Harverson
in New York

Bear Stearns followed other big Wall Street firms yesterday with a large drop in quarterly earnings, blamed on sharply lower trading and investment banking revenues.

The securities firm said net income in its fiscal fourth quarter, which ended on June 30, fell to \$32.4m from \$124.8m a year ago, a drop of 74 per cent. Revenues, net of interest expense, fell 37 per cent over the 12 months, to \$429.5m.

The weak final quarter, however, was not enough to stop the firm posting record profits of \$387m, against \$362.4m, for its fiscal year, and a record pre-tax return on equity of 38.7 per cent.

The record results were achieved because earnings were so strong in the first two quarters.

The problems encountered by Bear Stearns in the latest quarter have afflicted the entire US securities industry. Demand from companies for underwriting services, and from investors for broking services, fell precipitously this year in the wake of sharply higher US interest rates.

The rise in rates has also created a turbulent environment for trading in financial markets, and many firms' trading profits have fallen as a result. Bear Stearns, like many others, has been especially hard-hit by turmoil in the mortgage-backed securities markets.

Its biggest decline in the latest quarter was in its principal transactions business - where the firm trades its own money - which recorded a 66 per cent drop in revenues to \$127.7m.

Investment banking revenues fell 31 per cent to \$94m, but revenues from commissions, boosted by increased clearance, futures and institutional activity, climbed slightly to \$124.3m.

Rank, Coles withdraw bid for Foodland

By Nikid Tait in Sydney

Coles Myer, one of Australia's largest retailers, and Rank Commercial, the New Zealand-based company owned by Mr Graham Hart, yesterday withdrew from their A\$550m (US\$372m) takeover assault on Foodland Associated, the Western Australian grocery business.

Had the offer, to be made by a subsidiary of Rank and funded by borrowed money, gone ahead, Rank planned to sell on Foodland's Australian assets to Coles for around A\$250m. Foodland's New Zealand interests would have been sold to Whitebolls, a stationary and book retailer.

The decision to ditch the bid came after the Australian Federal Court yesterday dismissed the two companies' appeal against a temporary injunction which prevented Coles/Rank from pursuing the offer until mid-September at the very earliest.

This had been successfully obtained by the Trade Practices Commission, Australia's competition watchdog, after it expressed concerns at the potential bid which Coles could obtain over the Western Australian grocery market, and at the lessening of competition generally in the food and liquor retailing sectors.

The Federal Court decision was warmly welcomed by Professor Allan Fels, chairman of the TPC. He declared it to be "a win for consumers and competition policy in the grocery industry".

"The Australian grocery industry is extremely volatile at the moment," he added. "The Commission expects it will continue to be involved to ensure that competition is maintained and the consumer protected."

The Bank/Coles withdrawal leaves Rank holding a 14.9 per cent in Foodland.

Gencor steps boldly into global arena

The Shell package puts the S African group in the top league, writes Kenneth Gooding

With one big, \$1.1bn step, Gencor is to make up for the many years when its development as an international mining group was held back by South Africa's political isolation. While its rivals expanded - particularly via the mining booms in Australia and the Pacific Rim countries - Gencor had to confine its traditional mining skills to its native country.

Now, after its deal to buy most of the Royal Dutch/Shell mining and minerals assets operating under the Billiton banner, Gencor will, if all goes well, by the end of this century control the western world's biggest ferro-nickel business, the second-largest platinum and mineral sands companies, and be among the top three gold producers and the top five aluminium groups. It will also rank among the top 10 in stainless steel and coal and nickel production.

However, getting to this position has involved a transaction of immense complexity, and one that has taken well over a year to put together.

The struggle was worthwhile, according to Mr Brian Gilbertson, Gencor chairman, who said yesterday: "If we are to rejoin the first league of mining we simply have to operate globally."

Once the deal with Shell is completed, Gencor will be one of the most diversified international resource groups, with income derived mainly from seven world-class commodity businesses: gold (Gengold); platinum (Impala); coal (Transnata); ferro-alloys (Samcor); titanium mineral sands (Richards Bay Minerals); alumina and aluminium and nickel.

The Billiton operations, located in 15 countries, fit well with those of Gencor, particularly since the South African group has been "unbundling" its assets to concentrate on mining businesses.

Billiton's bauxite and alumina operations in Australia and Brazil can provide essential raw materials for Alusaf, the South African aluminium producer in which Gencor has a 41 per cent interest, and which is completing a \$2bn expansion to increase annual capacity to 646,000 tonnes.

South Africa has no bauxite reserves, and Alusaf has already agreed to take 400,000 tonnes of Billiton's annual alumina output - and maybe more later.

Billiton's Cerro Matoso mine in Colombia produces ferro-nickel well-suited to the

Billiton assets				
Asset name	Location	Description	Interest (%)	Production (1993)
Bauxite, alumina and aluminium				
Worsley	Australia	Bauxite mine and alumina refinery	30.00	5m tonnes
MPN	Brazil	Bauxite mine	14.80	1.8m tonnes
Alumar	Brazil	Alumina refinery	36.00	8m tonnes
		Alumina smelter	46.35	350,000 tonnes
Valesul	Brazil	Alumina refinery	41.50	85,000 tonnes
BMS	Surinam	Bauxite mine	76.00	2m tonnes
		Alumina refinery	45.00	1.5m tonnes
Boké	Guinea	Bauxite mine	3.06	11.5m tonnes
Aughinish	Rep of Ireland	Alumina refinery	35.00	1.1m tonnes
Nickel				
Cerro Matoso	Colombia	Nickel mine	52.51	44.5m pounds
Precious Metals				
Bogoso	Ghana	Gold mine	61.23	90,000 troy ounces
Prima Lirang	Indonesia	Gold mine (also silver, barite)	90.00	47,000 troy ounces
Other				
Seabair	Canada	Copper mine	100.00	33,000 tonnes (1)
		Zinc mine		54,000 tonnes (1)
Paring (2)	S Africa	Zinc mine	100.00	30,000 tonnes (1)
		Lead mine		5,000 tonnes (1)
Marketing and Trading	Principally Netherlands, UK, France, Germany, Japan, Netherlands	Marketing, trading	100.00	N/A
Commercial & Technical Services		Commercial, technical	100.00	N/A

(1) In concentrates, (2) To be held directly by Gencor

Source: Gencor

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South Africa has no bauxite reserves, and Alusaf has already agreed to take 400,000 tonnes of Billiton's annual alumina output - and maybe more later.

Billiton's Cerro Matoso mine in Colombia produces ferro-nickel well-suited to the

time-consuming, partly because Billiton did not exist as a separate corporate entity with its own consolidated financial history. The assets had to be disentangled from Shell operations around the world - to be placed in a new holding company, Billiton International - in a way that would give tax advantages to both Shell and Gencor.

This absence of a Billiton corporation also affected the financing, because there was no "clean" package to offer the banks. Neither could Gencor move cash out of South Africa because of exchange controls. Nevertheless, Gencor has permission to include its 50 per cent share of Richards Bay Minerals as part of its contri-

buting to the deal. The \$335m in cash Gencor is contributing will come from the sale of its North Sea oil assets and its shareholding in TransAtlantic Holdings.

Consequently, although Gencor has been able to get non-recourse finance, it is paying well above the usual rate for Billiton's borrowings. It aims to refinance this part of its debt on more conventional terms as soon as possible. Billiton's effective funding cost is a modest average 5.2 per cent, thanks to Shell's contribution to the financing. Shell is taking \$300m of bonds exchangeable into Billiton equity. The bonds, which are interest-free for the first five years, can be converted into 25.5 per cent of Billiton's equity in the first year, and a reduced percentage thereafter.

Some 61 per cent of Billiton's revenues come from the bauxite and alumina interests. Indeed, when the aluminium market fully recovers from the worst recession in its history, aluminium could conceivably contribute most of Gencor's earnings.

If that time comes, Gencor might attempt to balance earnings by focusing Billiton or part of the aluminium assets. Mr Gilbertson pointed out that a combination of Alusaf and the Billiton upstream operations would produce the fifth-largest integrated aluminium business in the world.

He added: "At low (aluminium) prices, the deal has little appeal. At high prices, the returns are huge. If our estimate of the medium-term price trends are anywhere near correct, then this parcel of assets will prove to be very valuable, and the price we have paid [\$420m in assets plus \$335m cash for at least 70.5 per cent of a group with assets worth \$1.2bn] to have been cheap."

Northern Telecom shows improvement

By Bernard Simon
in Toronto

Northern Telecom's share price jumped yesterday after the Canadian telecommunications equipment maker's second-quarter earnings raised hopes that its problems of the past few years might be receding.

Net earnings were US\$37m, or 15 cents a share, compared with a \$1.03bn loss, equal to \$4.13 a share, a year earlier.

Last year's results included one-time restructuring and

other charges of \$40m. Revenues rose by 14 per cent to \$2.12bn.

Northern's shares gained 88 cents to \$31.38 on the New York stock exchange in early trading yesterday.

Mr Lap Lee, an analyst at Gordon Capital in New York, described Northern as staging a turnaround. "Slowly but surely, they're coming back," he said.

The Toronto-based company has been bedevilled in recent years by a variety of setbacks, including fierce competition,

delays in new product development and management upheavals.

Mr Jean Monty, chief executive, expressed satisfaction with the results in "this year of transition". He said Northern's financial condition had been improved by cost-cutting and the sale of several businesses.

The trend towards improved year-on-year earnings will continue in the second half, Mr Monty predicted.

The recent improvement is due largely to stronger demand for central office switches,

especially in the US, partially offset by a sharp fall in orders from Canadian phone companies.

Revenues also picked up in the Far East and Latin America, while multimedia communications systems enjoyed a double-digit sales increase.

Northern has put a high proportion of recent investments into international marketing and new products. The latter include a portfolio of wireless phone equipment, in which Northern had lagged behind its rivals.

Daewoo sales surge 28% in first half

By John Burton
in Seoul

Daewoo, South Korea's fourth-largest conglomerate, reported a 28 per cent increase in sales to Won16,400bn (\$20.4m) for the first half of 1994, according to preliminary results. The group expressed confidence that it could achieve its sales target of Won35,500bn for 1994.

Net profits were Won293.5bn - the first time that Daewoo has revealed first-half earnings for the entire group. Net profits for all of 1993 were Won464bn.

Daewoo Corporation, the group's trading and construction unit, reported a 25 per cent rise in net profits to Won300bn as sales grew by 19 per cent to Won5,100bn. Daewoo Heavy Industries, a machinery producer, had a sharp rise in profits to Won200bn from Won180bn in the first half of 1993 as sales rose by 35 per cent to Won5,000bn, reflecting growing exports of excavators and machine tools.

Daewoo Motor reported a 56 per cent increase in sales to Won1,450bn, the biggest rise in turnover among the group's main companies. The car company broke even after suffering a Won850m loss in 1993.

The improved performance of the car division was due to the introduction of two models, the Areadia and the Cielo, and lower production costs.

Daewoo Shipbuilding, which will merge with Daewoo Heavy Industries in October, had the largest group profits at Won180bn, an increase of 40 per cent. Sales grew by 45 per cent to Won1,100bn. The rise in profits reflected the increased production of high value-added ships and absence of labour disputes.

Daewoo Electronics had a 28.5 per cent growth in profits to Won180bn as sales rose 30 per cent to Won1,270bn. Domestic sales rose by 24 per cent and exports increased by 33 per cent, with Daewoo becoming South Korea's leading exporter of colour televisions.

Daewoo Telecom profits doubled to Won20bn, although sales fell 6 per cent to Won220bn.

JCI posts unexpected rise in gold revenues

By Mark Suzman
in Johannesburg

Johannesburg Consolidated Investments, the South African mining house due to be spun off to black investors, has reported an unexpectedly good increase of 4.9 per cent in its gold revenue for the June quarter to R539.1m (\$146m) from R513.1m in the previous three months.

Although overall production declined 3.8 per cent to 2.55m tonnes from 2.67m tonnes, due to extra election-related public

holidays, a higher gold price received and an improved average yield to 4.89 grammes per tonne helped boost results.

At the group's Western Areas mine, the steel drum shaft failure that affected the previous quarter's production was repaired at a cost of R11.5m and net profit after tax improved to R43.1m from R23.4m. H. J. Joel also showed a significant improvement, converting an operating loss of R0.8m in the March quarter to a R1m operating profit due to

higher gold production at R49kg, up from R38kg.

Improved cost containment at Randfontein estates, however, was unable to offset lower throughput on the mine as gold production dropped 9.9 per cent to 7,562kg from 8,392kg. Operating profit decreased 3.6 per cent to R114.7m from R119m.

Development at JCI's South Deep project also progressed, and exploration expenditure for the first six months of the year amounted to R29.5m, up from R12.2m last year.

JCI said plans were well advanced to combine the mining interests at Western Areas with its South Deep mine, creating a giant new mine with large gold reserves.

Under the plan, South Deep would provide funding to allow Western Areas to mine the ore and return to profit. This would allow South Deep to make use of Western Areas' skills and equipment while capital expenditure at the former could be used to write off some of the other's profit, improving its tax position.

Disposals and mergers boost AECI at halfway

By Mark Suzman

Afex Holdings. In addition, AECI merged its chlor-alkali, plastics and other downstream operations with the ethylene, propylene and polypropylene operations of fellow South African chemical producer Sasol. AECI retains a 40 per cent stake in the new venture, called Polifin.

The transactions reduced turnover. However, investment income surged to R23m from a loss of R7m last time, largely because the Afex acquisition was equity-accounted. A R324m surplus on the AECI deal was included as an abnormal item. Tax paid dropped to R27m from R39m, but a R4m charge for the 5 per cent one-off transitional levy imposed on all South African companies in the June budget was also included as an abnormal item.

These included the disposal of 51 per cent of the group's explosives business to ICI, and the purchase of 50 per cent of

Chevron disappoints as margins slip in quarter

By Richard Waters
in New York

Chevron, the San Francisco-based energy group, turned in worse-than-expected results for the second quarter as profit margins at its refining and marketing operations slipped further than those of other big US energy companies.

Like others, Chevron's downstream earnings were hit by the rising oil price, which pushed up the cost of supplies. Mr Ken Derr, chairman and chief executive, said US profit margins in particular had suffered, with a rise in the oil price of around \$3 a barrel from a year before and an increase in prices of refined products of only \$1 a barrel.

US downstream operations recorded a loss of \$42m, against a profit of \$97m (before restructuring charges), while the non-US refining and marketing business saw profits fall to \$27m from \$107m.

Upstream earnings of \$152m were higher than the first three months of the year but failed to match the year-ago quarter's \$307m.

Overall, after-tax profits in the period were \$27m (after a \$5m charge), against \$50m (after special charges of \$51m) the year before.

Earnings per share were 39 cents, up from 8 cents a year ago (or 37 cents before charges). For the first six months, net income was \$645m (after charges of \$11m), compared with \$551m (after charges of \$517m).

American Express down 14%

By Richard Waters

Net profits at American Express fell 14 per cent in the second quarter of 1994. It blamed lower profits at Lehman Brothers, the investment bank spun off during the period. Excluding Lehman, the financial services group's earnings would have risen 19 per cent to \$350m, on the back of higher spending on charge cards and other products.

Lehman, which last week revealed its second-quarter

results had suffered from poor trading conditions in financial markets, was accounted for as a discontinued item.

American Express reported net income of \$357m, or 69 cents a share, on revenues of \$3.5bn, compared with \$416m, or 83 cents, on revenues of \$3.3bn a year before.

The growth in earnings from discontinued operations was driven by a 12 per cent rise in spending billed to the company's cards to \$3.6bn. The total number of cards was 5 per cent

higher than a year before. Card fees fell slightly to \$431m, reflecting competition between issuers, but revenues from fees charged to merchants, which have been under pressure in recent periods, rose 9 per cent to \$983m.

American Express also reported continued profit growth at its IDS Financial Services subsidiary, up 21 per cent to \$169m.

For the first six months, net income was \$710m against \$656m the year before.

Pilots offer USAir \$750m deal

By Frank McGurty
in New York

Pilots at USAir, the sixth-largest carrier in the US, have offered to make \$750m in payroll concessions over five years in exchange for an equity position in the airline.

The proposal, submitted by the Air Lines Pilots Association, was a response to USAir's call for \$1bn in overall cost reductions by 1997.

The initial reaction by USAir, in which British Airways has a 23 per cent stake, was positive. The airline said it was "pleased" the pilots "recognised the need to move forward and was looking forward to discussions" over the union's ideas.

Further talks between the two sides had not been scheduled, however.

The development comes just two weeks after shareholders of UAL, parent of United Airlines, approved a plan giving its employees a 55 per cent stake in the carrier in exchange for pay cuts and changes in work rules.

The offer by USAir's pilots envisages a "restructuring" of the carrier's financial obligations, and a "substantial" influx of fresh capital.

In return for average annual pay reductions of \$150m, the pilots are seeking "substantial" investment returns through equity, preferred stock and profit sharing. The union said it would complete the details of its proposal this week, and present them "shortly".

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INTERNATIONAL CAPITAL MARKETS

Short-dated Treasuries steady ahead of auction

By Frank McGurty in New York and Corrie Middelmann in London

Short-dated US Treasury bonds held steady in very light trading yesterday morning as traders awaited the results of an afternoon supply auction. The long end gave back most of the previous session's gains.

By midday, the benchmark 30-year government bond was 1/8 lower at 84 1/2, with the yield rising to 7.546 per cent. At the short end, the two-year note was unchanged at 98 1/2, to yield 6.101 per cent.

The uncertainty surrounding the Treasury's sale of \$17.25bn in new two-year notes kept activity across the market to a minimum. The prospects for a smooth sale were complicated by the threat of an imminent

move by the Federal Reserve to boost short-term rates. Some traders said the issue would not prove attractive unless it was awarded a 6.25 per cent yield, well above current levels.

GOVERNMENT BONDS

Most of the action was concentrated on the long end of the maturity range, where traders unwound curve-flattening positions set on Monday. A flurry of trading was expected at the short end once the level of demand that would surface in the auction.

The day's economic news had no discernible impact, although it provided further

support for a scenario which sees the Fed delaying its next move to tighter credit.

The Conference Board, an industry group, said its July index of consumer confidence was 91.6, a decline on June's 92.5. However, analysts had predicted a reduction.

After the two-year auction, the market was facing the sale of \$11bn in five-year notes this afternoon.

European government bonds ended yesterday's session slightly weaker, weighed down by the prospect of new supply in several markets and by the softer tone in the US.

Once again, most of the activity took place in the futures pool. With many players away from their summer holiday, futures volume has

shrunk significantly, which means that even fairly small transactions can sometimes move prices substantially.

Italian bonds posted the sharpest losses of the day, plagued by worries that the judicial investigation into Prime Minister Silvio Berlusconi's holding company Fininvest could trigger another political crisis.

Political jitters triggered a sharp slide in the futures market towards the close. In after-hours trading on Liffe, the September BTX future was down about 1.38 points at 102.60.

Further weighing on the market's mood is the prospect of £1,000bn of new supply late this week and next Monday. "The total amount sounds relatively small, but there are

no bonds maturing," so the authorities need to raise new money, said Mr Jouni Kolkko, international economist at SG Warburg Securities.

UK gilts shed nearly half a point, weighed down by the latest CBI report (showing manufacturing output growing rapidly), selling ahead of today's gilt auction and weaker continental European markets.

The Bank of England today is due to issue £20bn of 6.25 per cent gilts due 2010 - the first time since January that it is issuing a long-dated conventional stock.

While there was not much evidence of strong retail interest, some traders said they expected demand from UK funds with long-dated liabilities and some overseas inves-

tors seeking exposure to sterling assets as the currency has stabilised at a lower level.

German bunds ended slightly weaker on thin volume as traders awaited today's auction of 6.25 per cent five-year notes for the Treuhandanstalt, Germany's privatisation agency.

Traders reported scant retail demand for the deal, which is expected to total around DM400-500. The September bund future on Liffe slipped by 0.25 points to 83.89.

French bonds again slightly outperformed Germany as foreign buying continued, especially in the futures pool. The September notional government contract on Matif rose by 0.16 points to 117.78.

Regulators given guidance on risk

The Basle committee guidelines on managing risk in derivatives - issued yesterday - emphasise that dealers should be guided by written policy documents laying out how much risk banks' directors will tolerate.

They say that bank boards should be informed regularly of the risk exposure of their institution, and re-evaluate their risk management policies consistently. They say boards must also ensure clear lines of management responsibility.

Those dealing foreign exchange, derivatives and other traded instruments should be able to mark their positions to market prices at least daily, while some bigger institutions should be able to do so in real-time.

The Basle guidelines say banks should emphasise strongly assessments of credit risk to companies to which they are selling complex and over-the-counter derivative products such as swaps, which may carry exposures for several years.

They say the heavy use of computerised systems in the trading of derivatives means banks must make contingency plans for interruptions to normal processing. Regular reviews of technical equipment may help reduce risks.

The Basle guidelines say that banks should review the legal structure of the countries in which they are operating before entering derivatives transactions, to make sure their customers' obligations can be legally enforced.

Guidelines issued simultaneously by the technical committee of the International Organisation of Securities Commissions say evolving technology permits "the engineering of increasingly complex financial instruments".

Iosco says this also allows market participants to bundle different forms of risk. The products "have risk profiles that are more difficult to analyse than simpler, one-dimensional financial products".

Iosco's guidelines say there are some differences in perspective with the Basle guidelines because of traditional differences of supervisory style, but both banks and securities regulators believe in strong management controls.

The Iosco guidelines say: "The framework of risk management policies overseen by boards of directors should specifically cover derivatives activity, establish responsibility for its implementation and provide for accurate and timely management reporting."

● The speed of evolution and complexity of derivatives products means firms should devote "adequate resources" to all aspects of risk management controls, including back office systems, accounting and supervision.

● Firms should use risk reduction techniques, such as master agreements, netting exposures, collateralising transactions and third party credit enhancement, including letters of credit and guarantees.

● Firms should - both on an entity and group basis - be able to make accurate risk valuations daily and to identify concentrations of risks. Exposures may be netted providing netting arrangements are enforceable.

● Management controls should provide for independent credit risk management at the firm. This would set measurement standards and credit limits, and review leverage, concentration and risk reduction measures.

John Gapper

Kleinwort to double size of China fund

By Antonio Sharpe

Kleinwort Benson is seeking to double the size of its China investment and development fund to \$120m through a placing of new shares and warrants.

The subscription period for the new shares, likely to be priced at a small premium to the \$10.50 issue price of the old shares, will close in early October. The fund plans to pay its maiden dividend next year.

Existing shareholders will not have pre-emptive rights in respect of the placing, but they will be rewarded with one free warrant for every five shares they hold. By contrast, new subscribers will have to pay for the warrants.

The fund, which was launched two years ago, has now invested \$54.6m in 10 unlisted Chinese companies.

European Community limits issue to Ecu220m

By Antonio Sharpe

The European Community has limited the amount of new Ecu-denominated offerings of seven-year bonds, although the amount raised, Ecu220m, was below expectations of Ecu300m.

INTERNATIONAL BONDS

Proceeds are expected to be on-lent to countries in eastern Europe and northern Africa. It is believed that the issue's smaller than expected size resulted from the failure of one of the loan beneficiaries to complete the paperwork in time. However, syndicate managers expect the issue to be increased to Ecu300m later.

An EC official said competition to arrange the deal had been fierce, with 10 houses bidding for the mandate. How-

ever, since the EC wanted to take advantage of strong retail demand, which has been fuelled by high redemptions of Ecu bonds this year and the Ecu's good performance recently, it decided not to pick the most aggressive bid.

The official said other factors had been taken into consideration, such as the lead managers' large retail networks in continental Europe and their commitment to the secondary market in Ecu bonds. "It was not the time to experiment with new people," he said.

As expected, the bonds were priced to yield well below the French government's Ecu bonds, at 11 basis points through the interpolated yield curve. The pricing dented the bond appeal to institutions but the current coupon of 7 1/2 per cent and the short payment date were clearly designed to attract retail investors.

According to joint lead manager SBC, Ecu5.5bn worth of

NEW INTERNATIONAL BOND ISSUES									
Borrower	Amount m.	Coupon %	Price	Maturity	Yield %	Spread bp	Book number		
YEN									
New South Wales Treas.Corp.(a)	100m	3.15	100.20	Feb.1997	0.15	-	Nomura International		
ECU									
European Community	220	7.25	99.31R	Aug.2001	0.30R	-11 (a)	Swiss Bank Corp.		
AUSTRALIAN DOLLARS									
Queensland Treasury Corp. (a)	100	4.50R	90.65R	Aug.1997	1.375	-	Nomura International		
SWISS FRANCS									
BNP	250	5.00	102.00	Sep.1998	1.75	-	Credit Suisse		
Kingdom of Sweden	5.125	5.125	102.25	Sep.1999	-	-	Swiss Bank Corp.		
LUXEMBOURG FRANCS									
ING Bank	2.5bn	8.00	102.40	Sep.2004	2.00	-	BGL		

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. (a) Unlisted. (b) Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. (c) Short 1st coupon. (d) Spread relates to interpolated yield on French Govt Ecu bonds.

bonds have been redeemed so far this year but there has only been Ecu4bn of new issuance. A further Ecu5bn is expected to be redeemed by the end of the year.

In addition, the Ecu has been performing well against other European currencies, reflecting a resurgence in belief among investors that the core Euro-

pean states will not give up on monetary union and the single currency. In the past week alone, the yield spread between Ecu notes and French government bonds has narrowed from 102 basis points to 102 basis points.

Elsewhere, favourable swap opportunities prompted a

flurry of Swiss franc issues, with BNP raising Sfr250m through an offering of four-year bonds and Sweden launching a Sfr150m five-year issue.

Portugal has signed a \$2bn global multi-currency medium-term note programme. Lehman Brothers acted as global arranger.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Coupon	Red Date	Price	Yield	Week	Month
Australia	9.000	98.040	98.520	9.54	9.33
Belgium	11.750	117.780	117.810	11.61	11.61
Canada	6.500	104.040	104.000	10.30	10.26
Denmark	7.000	120.040	120.000	12.00	11.98
France	6.800	104.040	104.000	10.30	10.26
Germany	6.500	104.040	104.000	10.30	10.26
Italy	8.500	104.040	104.000	10.30	10.26
Japan	4.000	104.040	104.000	10.30	10.26
Netherlands	5.750	104.040	104.000	10.30	10.26
Spain	6.000	104.040	104.000	10.30	10.26
UK Gilt	6.750	110.040	110.000	10.30	10.26
US Treasury	9.000	104.040	104.000	10.30	10.26
ECU (French Govt)	6.000	104.040	104.000	10.30	10.26

London closing. "New York mid-day". Yield: Local market standard. 1. One-month rolling yield. 2. 12-month rolling yield. 3. 24-month rolling yield. 4. 36-month rolling yield. 5. 48-month rolling yield. 6. 60-month rolling yield. 7. 72-month rolling yield. 8. 84-month rolling yield. 9. 96-month rolling yield. 10. 108-month rolling yield. 11. 120-month rolling yield. 12. 132-month rolling yield. 13. 144-month rolling yield. 14. 156-month rolling yield. 15. 168-month rolling yield. 16. 180-month rolling yield. 17. 192-month rolling yield. 18. 204-month rolling yield. 19. 216-month rolling yield. 20. 228-month rolling yield. 21. 240-month rolling yield. 22. 252-month rolling yield. 23. 264-month rolling yield. 24. 276-month rolling yield. 25. 288-month rolling yield. 26. 300-month rolling yield. 27. 312-month rolling yield. 28. 324-month rolling yield. 29. 336-month rolling yield. 30. 348-month rolling yield. 31. 360-month rolling yield. 32. 372-month rolling yield. 33. 384-month rolling yield. 34. 396-month rolling yield. 35. 408-month rolling yield. 36. 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Regulators give guidance on...



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COMPANY NEWS: UK

Property disposals help Allied Textile rise 28%

By Tim But

Allied Textile Companies, one of Britain's leading fabric and fibre manufacturers, yesterday highlighted improving sales and profits on property disposals as the main factors behind a 28 per cent increase in half-year profits.

The Yorkshire-based group defied tough trading conditions in the six months to March 31 by increasing pre-tax profits from £5.3m to £6.5m on turnover of £59.1m (£64.5m).

The improvement was underpinned by profits from financial activities, which more than doubled to £2.3m (£1.1m) following the disposal of a former mill at Huddersfield.

Operating profits in the core textile businesses rose by a more modest 7 per cent to £4.5m (£4.2m), but Mr Peter Honeysett, chairman, said it represented "very satisfactory progress in the face of stiff trading conditions".

That progress was dominated by steady profits in the UK, where there was a first-time contribution from Coat-shire-based fabric treatment business acquired last October for £8.5m.

In continental Europe, however, an improved performance at Allied Textile France SARL - the group's French subsidiary - was undermined by more than £2.5m in start-up costs and depreciation charges on a new needle punch carpet line at Tapibel, the Belgian carpet manufacturer.

Allied's recent acquisitions in North America, where it established a foothold earlier this year with the £29.3m purchase of Cley & Tinker and Carleton, did not impact on the half-year figures.

"They have both made a good start and are operating in line with our best expectations," said Mr Honeysett. Earnings per share came out

at 15.37p (12.57p) and an increased interim dividend of 4.8p (4.6p) is declared.

COMMENT

With textile demand in Britain showing little sign of rapid recovery, the timing of Allied's expansion into North America is looking increasingly shrewd.

Carleton and Cley & Tinker are expected to make useful second-half contributions, which could offset any further downturn at home. Operating profits may also be enhanced by improved productivity at Tapibel, which supplies the lucrative German market.

However, there are unlikely to be further gains on property disposals and analysts have left their forecasts for full-year pre-tax profits unchanged at £17.5m. The shares, which closed down 2p at 533p, look slightly over-priced, on a forward multiple of 14.4, given the uncertainties over domestic growth.

Shandwick ahead by 42% to £2.47m

By Claire Gascoigne

Pre-tax profits at Shandwick, the public relations company, rose by 42 per cent from £1.73m to £2.47m in the six months to the end of April, despite a 2 per cent fall in turnover to £78.7m, against £80.2m.

Mr Peter Gummer, chairman, said: "The slow start in North America initially held back both operating income and profits, but towards the end of the half year there was a significant upturn in trading in the region."

North America accounts for more than half of Shandwick's worldwide business, and margins fell from 19.2 per cent to 18.9 per cent because of new business expenses.

"Ground lost in the early months in North America has been recovered and subsequent

trading results are well ahead of the comparable period last year," said Mr Gummer.

New business levels were "encouraging", he added. Shandwick, which raised £18.9m with a rights issue in March, said £16.9m of this would be used to reduce bank borrowings.

Net debt stood at £59.2m at April 30, up £1.9m on the previous year.

Earnings payments, a hang-over from a string of acquisitions in the late 1980s, are estimated at £2.1m for the year to end-October, of which £1.7m has been paid. Earnings for the next two years are estimated at £5.5m and all earnings end in 1996.

Earnings per share were maintained at 1.7p, and an interim dividend of 0.43p (nil) is declared.

Approval for £9.8m Everton rescue plan

By Peter John

Shareholders of Everton football club yesterday gave their approval to a £9.75m rescue package by businessman Mr Peter Johnson.

The extraordinary meeting held at the club's Goodison Park ground started at the traditional football kick-off time - 3.00pm.

But it took less than the customary 90 minutes to vote in favour of the 1-for-1 rights issue that is expected to give Mr Johnson, chairman of Park Food, the Christmas hamper company, and the Nightflight delivery group, control of the Merseyside club.

In anticipation, the Everton directors met after the EGM and elected Mr Johnson as their new chairman.

Shareholders, many of whom had inherited one or two of the 2,500 shares first issued in 1882 and kept them more out of loyalty to the club than personal investment, voted Mr Johnson on to the board.

The former chairman of Tranmere Rovers, a rival Merseyside club, needed 75 per

cent support for the rights issue motion and received about 1,660 of the 1,680 votes cast. Mr Owen Jones, a former director of BICC, the cables group, who has a share in the club said: "There has been a terrible dullness about Everton over the past few years."

The cash call has been priced at £4,000 a share - significantly higher than the underlying price of about £2,750. Although existing holders have three weeks to take up the rights it is expected that none will do so and Mr Johnson will get 50 per cent of the equity.

Cantab signs Stanford deal

By Daniel Green

Cantab Pharmaceuticals, the biotechnology company, has signed an agreement with California's Stanford University that gives it an option to acquire exclusive rights to a family of patent applications covering inventions by Stanford researchers.

The two will also collaborate

on research into autoimmune and inflammatory diseases such as rheumatoid arthritis and ulcerative colitis.

The deal signals Cantab's entry into autoimmune and inflammatory disease areas.

The work is still at the research stage. Any product it isolated would have to go through years of clinical trials before reaching the market.

Flotax shares closed up 4p at 198p. Dealings in the enlarged group are expected to begin on July 28.

Flotax, which has embarked on an aggressive acquisition strategy in the past 12 months, is funding the transaction by raising £2.8m from a vendor placing of 2m new ordinary shares at 186p.

It has also agreed to issue 764,185 shares to Ling's directors, who will remain in place, and has set aside a further £100,000 to cover share options held by its employees.

The move follows two months of talks with the Kent-based group, which has specialised in fine art greeting cards since the early 1970s.

Mr Robin Field, Flotax chief executive, said the two companies served common customers and could establish a strong presence among retailers such as WH Smith and Ryman.

"Greeting cards are the largest and still one of the fastest growing categories in the personal stationery market, and Ling's is one of the most active competitors with a brand name that is very widely recognised and well respected," he said.

In the year to March 31, Ling's made profits before tax and interest of £750,000 on turnover of £5.3m.

Flotax shares closed up 4p at 198p. Dealings in the enlarged group are expected to begin on July 28.

Looking at life in Europe: for and against

Alison Smith and Richard Lapper on a policy split in the UK insurance industry

It is not just Britain's Conservative party that is split on Europe. The UK life insurance industry is similarly divided into Euro-enthusiasts and Euro-sceptics over the immediate importance of the European market.

Perhaps the most prominent Euro-sceptic - the Lady Thatcher figure of the business, so to speak - is Prudential Corporation, the UK's largest life insurer.

When announcing its new business figures for the first half of the year, Prudential put great emphasis on its rapidly growing presence in the Asia Pacific markets, and made only a cursory mention of a decline in annual premium contracts in Italy.

Mr Mick Newmarch, chief executive, believes there will not be a pan-European medium and long-term savings market until after 2000. He expresses far greater enthusiasm about opportunities in east Asia, and in China in particular.

However, a few UK life insurers, such as Scottish Amicable and Equitable Life, have already given details of how they intend to take advantage of the new freedoms they have been given by the third life directive, and others have initiatives planned for the autumn.

The third life directive, which came into effect at the start of this month, frees the cross-border activities of European life companies by allowing them to market products directly rather than relying on customers coming to them. It reins in the powers of local regulators who will no longer set

minimum rates for premiums or control the wording of policies.

Rules governing where policyholders' funds are invested will also be less restrictive.

Unit-linked policies - which link policyholder returns directly to investment performance - will become more common. Prices should begin to level out, giving consumers a better deal.

Mr John Stone, chairman of Lombard International, a Luxembourg-based European life insurance company, sees significant advantages for UK companies which have more sophisticated products and more advanced information technology.

There are, he believes, particular opportunities in markets which have traditionally offered the narrowest range and poorest value products, such as Germany.

Lombard is targeting affluent individuals. Last year, the group, which benefits from Luxembourg's highly favourable tax regime, earned about 40 per cent of its £80m of premium income from Germany. Other sales came from Belgium, France, the UK and Sweden.

J Rothschild Assurance is another on the Euro-enthusiast wing of the UK life industry.

In March, it set up J Rothschild International Assurance, which is seeking to establish links with German regional banks.

Scottish Amicable has also announced a new operation, approaching the European landscape in two ways. Its



Mick Newmarch: enthusiastic about opportunities in east Asia

Dublin-based subsidiary is to seek business in Europe, initially through capitalising on its parent's reputation among independent financial advisers.

In a piece of lateral thinking, it will also use the different tax regimes in the UK and the rest of Europe as an opportunity to sell from Dublin into the UK.

The tax differences enable it to produce policies at lower prices than if it were based in the UK.

The UK system taxes income to policyholders as it builds up in the funds.

Most of the rest of Europe taxes income when it is withdrawn from the fund and reaches the individual.

Despite Scottish Amicable's move, many UK life companies are conscious of the different tax regimes as a factor blunting the immediate impact of the directive.

But there is a feeling that even if the tax question is resolved quickly, as the Association of British Insurers has been urging, cultural differences will take longer to overcome.

Many Europeans who are used to a market of highly regulated products may, for example, shy away from policies which offer them greater risks as well as greater returns.

Mr Detlef Klaus, partner with Finanzplan, a Wiesbaden-based network of inter-

mediaries, which sells products for Lombard, Friends Provident and a number of other companies, says that for "most customers, business will stay as it is for the next five years. Many people will buy from the intermediaries they know, and they will not take out highly sophisticated plans."

"You have to have distribution and deal in the language and culture of your customer," says Mr Richard Giles, head of Sun Alliance's overseas life business, which has operations in five continental European countries, "and the third life directive doesn't alter that."

So for the time being, the focus for many of the larger insurers is elsewhere.

Legal & General, for example, has indicated that it intends to concentrate in the short term on developing its UK operation.

Mr Newmarch is enthusiastic about opportunities in east Asia. Though the cultural and regulatory barriers are higher than in Europe, they are outweighed by the sheer scale of the potential market and the speed at which it could grow.

BAT Industries, which owns Allied Dunbar and Eagle Star Life, also regards China, Hong Kong, Singapore and Taiwan - where the group recently obtained a provisional trading licence - as a higher priority.

Eagle Star Life has a sizeable presence in Spain and Ireland but is far less optimistic about expansion elsewhere on the Continent. According to Mr George Greener, chairman of the two subsidiaries: "Europe is very difficult."

NEWS DIGEST

Dalepak declines to £514,000

Dalepak Foods, the maker of frozen and chilled products, recorded a drop in pre-tax profits from £2.21m to £514,000 in the year to April 30. Turnover declined from £42.2m to £36.3m.

The dividend is cut from 6p to 1.5p, with a final of 1p.

The result, which was forecasted in profits warnings, stemmed from a fall in the main frozen foods division.

However, directors said that measures implemented following a review of that business had ensured that the division returned to profit in the second half.

Earnings per share dropped to 3.71p (13p).

TT increases stake in Dale to 9.5%

TT Group, the expanding conglomerate, yesterday announced the purchase of 532,259 shares in its latest takeover target, Dale Electric, the generator manufacturer.

The shares, bought at 70p apiece, lift TT's stake in Dale to 1.26m shares, or 5.51 per

cent of the equity capital.

Taking in parties deemed to be acting in concert and irrevocable undertakings from directors, TT now controls 9.54 per cent of Dale.

Third quarter rise at Citizens Financial

Citizens Financial Group, the US subsidiary of Royal Bank of Scotland, reported net income of £12.3m (£7.9m) for the third quarter to June 30, compared to £7.2m for the corresponding period of 1993.

Three acquisitions in the last 12 months brought total assets to \$8.1bn at the end of the third quarter, against \$5.3bn.

Net interest income for the quarter was \$72.8m (\$43.3m) before provision for credit losses. The provisions amounted to \$5.1m, down 5 per cent on the comparable \$5.4m.

Non-interest income for the quarter was \$33.2m (\$17.9m), and non-interest expense was \$70.3m (\$44.2m).

Year starts well at Carpetright

Sir Philip Harris, chairman and chief executive of Carpetright, told shareholders at the annual meeting that sales in the first 12 weeks of the cur-

rent year were up by about 30 per cent.

This improvement, Sir Philip added, was considered satisfactory by the board, given the weak market for carpets in the UK and the adverse effect of the continuing hot weather.

Seven new stores had opened in the current year, all of which were trading successfully. The new openings brought the total number of outlets to 152, and a further 30 new openings were planned for the year, Sir Philip said.

PSIT buys industrial estate for £12.3m

PSIT, the property company, has acquired Houndmills industrial estate, Basingstoke, Hampshire, from British Rail Pension Fund for £12.3m.

The site comprises a substantial office and industrial estate of about 420,000 sq ft let to 13 different tenants on leases with unexpired terms of between five and 20 years.

CI Group factory sale to reduce debt

CI Group, the Wolverhampton-based engineering firm, has sold a factory and offices for £900,000 and will be relocating its head office to premises nearby. Pro-

ceeds will be used to repay part of the group's medium-term borrowings.

CI reported increased losses to £16.3m (£38,000) in the year to end-January, after selling its French subsidiary, Société Métallurgique de Brevilly, and cutting the workforce by 11 per cent to less than 1,000.

Second quarter rise for Marine Midland

Marine Midland Bank, the US subsidiary of HSBC Holdings, increased net income by 25 per cent from \$45.3m to \$57.1m (\$36.8m) in the second quarter of 1994.

The increase meant a 38 per cent rise in the first half of the year from \$79.3m to \$109.7m. The bank said the increase reflected strong net interest income and other revenues, while operating expenses were cut by 8 per cent.

Marks and Spencer to expand in Spain

Marks and Spencer is to invest Pta4.34bn (£21.7m) in the expansion of its existing chain of Spanish department stores. Some Pta5.5bn will be used for a new store in Valencia and Pta840m for the expansion of one of its stores in Madrid.

C&W offshoot lifts PLD stake to 33%

Navona Communications, a wholly owned subsidiary of Cable and Wireless, has increased its interest in Petersburg Long Distance to 33.2 per cent.

Navona, a private company incorporated in Bermuda, has acquired 1.65m common shares in PLD issued from treasury at \$9.09 (£5.58) and a convertible debenture of \$994,000 convertible into 108,000 common PLD shares.

PLD is listed in New York and Toronto. Navona was acquired by C&W on March 29, when it held 25.1 per cent of PLD.

Navona now has the right to acquire a further 1.54m common shares in PLD.

Cranwick buys sausage business

Cranwick, the supplier of grain, feed, livestock and meat products is paying up to £1.45m for a sausage making business and factory.

The vendor is Tryton Foods, a division of William Jackson & Son, and Tryton has entered a three-year supply agreement with Cranwick for its sausage needs.

Continental Assets beats benchmark

Continental Assets Trust, managed by Ivory & Stone to seek capital growth through a portfolio of small European stocks, reported a modest rise in net asset value during the six months to June 30.

The undiluted value of 233.4p per share represented a gain of 1.8 per cent on December's figure of 229.2p. Diluted for outstanding warrants the rise was 2.1 per cent, from 208.3p to

212.5p. The benchmark FT-A World Index for Europe (excluding UK) declined by 4.6 per cent during the same period.

Year-on-year advances were 23 per cent basic and 21 per cent diluted.

Available revenue for the six months fell from £695,000 to £542,000 for earnings of 2.49p (3.2p) per share.

Rights and Issues

The split capital Rights and Issues Investment Trust saw its net asset value per capital share dip 4.4 per cent from 545.7p to 521.9p, during the six months to June 30.

Directors stressed, however,

that the trust had outperformed its benchmark - the FT-SE-A All-Share Index - which dropped 13 per cent during the same period.

They added that the main reason for the investment - Phoenix - had performed well with record pre-tax profits in 1993 and an intended revaluation of the trust's 25 per cent stake "may lead to a material increase in asset values".

Net revenue for the six months to end-June edged down to £139,476 (£136,535). The interim dividend, per income share, goes up to 2.5p (2.4p); directors expect to pay a final of not less than 6.5p.

an interim dividend of the same amount. Net revenue from ordinary activities was £1.76m (same).

European Assets

Net asset value at European Assets Trust, which invests in small and medium-sized companies in continental Europe, fell 6 per cent in sterling terms from 351.2p to 329.2p per share during the six months to June 30.

In guinea terms it fell 10 per cent, from £110.7 to £10.7. Net income for the half rose from £1.23m to £1.31m. The interim dividend is maintained at £10.08.

Murray Smaller

Over the year to end-May 1994 net asset value per share of the Murray Smaller Markets Trust rose 39 per cent from 344.8p to 478.9p.

Available revenue for the 12 months to this Murray Johnstone-managed trust fell slightly to £2.52m, against

£2.54m, giving a per share value of 4.52p (4.55p). The dividend total, however, is lifted to 4.37p (4.2p) with a final of 2.95p.

Temple Bar

Net asset value of Temple Bar Investment Trust fell from 394.17p to 331.97p over the six months to end June 30.

Attributable profits for the first half fell from £3.94m to £3.69m and earnings per share were down at 6.40p (6.83p). The interim dividend is raised to 4.7p (4.6p).

Geared Income

Geared Income Investment Trust reported a net asset value of 92.25p per share as at June 30, up from 86.1p at the same stage of 1993.

Net revenue for the three month period amounted to £273,357 (£388,732), equivalent to earnings of 1.21p (1.63p) per share. The first interim dividend is maintained at 1.5p.

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DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Concess - for	Total for	Total for
			dividend	year	year
Allied Textile	4.81	Sept 30	4.8	1.5	12.9
Dalepak Foods	1	Oct 3	0.08	-	6
European Assets	0.06	Sept 9	0.08	-	0.16
Geared Income	1.5p	Aug 31	1.5	-	8.075
M&G Dual	30.55	Aug 23	30.55	-	70.34
Mkays	5.06p	Oct 3	4.4	8.08	7.01
Murray Smaller	2.50	Sept 21	2.55	4.37	4.2
Rights & Issues	2.5	Sept 30	2.4	-	8.7
Shandwick	0.43	Sept 16	nil	-	nil
Stagecoach	2.6	Oct 7	-	4.1	-
Temple Bar Inv	4.7	Sept 30	4.6	-	13.55

Dividends shown prices per share not except where otherwise stated. 10n increased capital. *1st interim. 10nch. 10nch.

PUBLIC WORKS LOAN BOARD RATES

PUBLIC WORKERS' LOAN BOARD RATES					
Effective July 26					
Term	Lower		Higher		Rate
	Rate	Rate	Rate	Rate	
1	5 1/2	6	5 1/2	6	5 1/2
Over 1 up to 2	6	8	7	8 1/2	7 1/2
Over 2 up to 3	6 1/2	8 1/2	7 1/2	8 1/2	7 1/2
Over 3 up to 4	7 1/4	7 1/4	8 1/4	7 3/4	8 1/4
Over 4 up to 5	7 1/2	7 1/2	8 1/2	7 3/4	8 1/2
Over 5 up to 6	7 3/4	7 3/4	8 3/4	8	8 3/4
Over 6 up to 7	8	8 1/2	8 1/2	8 1/2	8 1/2
Over 7 up to 8	8 1/4	8 1/4	8 1/4	8 1/4	8 1/4
Over 8 up to 9	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
Over 9 up to 10	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4
Over 10 up to 15	8 3/8	8 3/8	8 3/8	9	8 3/8
Over 15 up to 25	8 3/8	8 3/8	8 3/8	9	8 3/8
Over 25	8 3/8	8 3/8	8 3/8	9	8 3/8

Non-quota loans A and B are 1 per cent higher and non-quota loans C are 2 per cent higher in each case than the quota loans. (Rural borrowers of principal \$75,000 or less are charged 1 per cent higher than those of principal \$75,000 or more.)

COMPANY NEWS: UK

■ Acquisitions bolster outcome ■ £33m spent on new vehicles

Stagecoach shows 46% advance

By Charles Batchelor,
Transport Correspondent

Stagecoach Holdings, the acquisitive Perth-based bus operator, achieved a 46 per cent increase in pre-tax profits from £12.8m to £18.9m in the 12 months ended April 30, its first year as a listed company.

Turnover rose by 24 per cent to £191m, helped in part by contributions from the three bus companies acquired in the course of the year - East Kent, Grimsby-Cleethorpes and Western Travel.

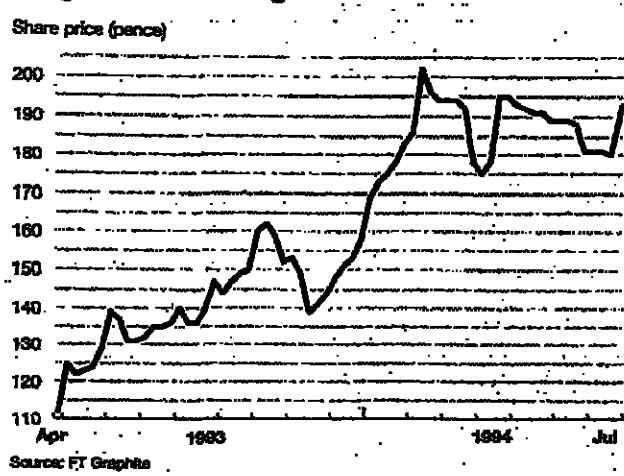
Stagecoach also spent £33m, mainly to renew its vehicle fleet. More than 650 new buses have been bought in the past three years and a further 680 are on order.

The improvement in Stagecoach's figures resulted from spending on new vehicles, which reduced maintenance costs; an increase in the number of passengers carried; and the introduction of new services such as limited-stop inter-urban routes.

Stagecoach also managed to integrate its new acquisitions more rapidly than anticipated, largely because they already operated efficient networks of routes, Mr Brian Souter, executive chairman, said.

When two other acquisitions

Stagecoach Holdings



completed after the year end - of Western Scottish Holdings and Busways - and the proposed purchase of a 20 per cent stake in Mainline Partnership are taken into account, Stagecoach has an annualised turnover of £276m.

Stagecoach made bids for all 10 of the London Bus companies which are up for sale and has been short-listed for eight, though the rules governing the sale would allow it to buy only two or three.

Mr Souter said he did not

think the London companies would attain the same large goodwill premiums as some of the provincial bus companies which have been sold because the London bus market has not been deregulated.

Stagecoach has picked up some business as a result of the train dispute, but at the same time has lost passengers on routes which connect with British Rail.

The company has "not lost interest" in the idea of bidding for BR franchises when the

train operating companies are sold off, Mr Souter said.

Earnings per share rose from 8.3p to 10.3p and the company proposes a final dividend of 2.6p compared with the 2.5p forecast at the interim stage. The total distribution for the year is 4.1p.

● COMMENT

Stagecoach has been moving so fast since it obtained a listing 15 months ago that it has been difficult to keep up with its progress. Followers of the company will be relieved therefore to hear that the businesses which were on board before the float have also shown strong growth. Their operating profits rose by £2m while new acquisitions contributed a net £2.5m after redundancy costs of £200,000.

Stagecoach has been able to buck the industry-wide trend of declining passenger numbers with the help of new high-quality inter-urban services and an active marketing campaign. The rail strikes, meanwhile, can only act as a further boost to bus and coach travel, Mr Souter now plans to expand into London. He hopes the London Bus companies will not demand the giddy buyers' premiums which have become the norm in the provinces. He may be disappointed.

NatWest Markets chief leaves to run fund

By Philip Gawith

Mr Mike Cornford, head of global foreign exchange at NatWest Markets, has left his post after less than three months in the job.

Mr Cornford, who was poached from Swiss Bank in order to bolster NatWest's foreign exchange operation, has been invited to run a hedge fund by a group of investors. Mr Stephan Harris, managing director of global treasury at NatWest Markets, said Mr Cornford had left at his own initiative. "There is no ill-feeling or cause for him to leave. It is just unfortunate that this opportunity came along when it did."

Mr Cornford is the latest in a number of leading City figures who have left banking jobs to join hedge funds - highly leveraged pools of speculative capital, where management fees commonly run to as much as 25 per cent of profits.

NatWest are not planning to replace Mr Cornford immediately. Instead the day to day management of the foreign exchange operation will be handled by Mr Paul Winchester, Mr Frank Wong and Mr Hans Goetz, the regional managers. Mr Harris will join these managers on a policy committee to supervise NatWest's foreign exchange operations.

Mr Cornford was not available for comment and the identity of his backers is not yet known. It is understood, however, that the offer he has accepted had previously been on the table and was then revived once he had arrived at NatWest.

Mr Harris said NatWest was "very sorry to see him go". He said Mr Cornford's view was that it would be less disruptive if he left now rather than when he was more established.

Correction
Bell Cablemedia

Bell Cablemedia has secured a listing on the Nasdaq stock exchange, not the New York Stock Exchange as reported in yesterday's FT.

Regulatory changes move Misys ahead 23%

By Alan Cane

Regulatory changes in the insurance industry favouring increased computerisation and continuing growth in open systems helped Misys, the acquisitive computing services group, report a 23 per cent increase in annual profits.

Profits before tax for the 12 months to May 31 rose to £18.6m, against £15.1m last time. Turnover rose 5 per cent to £33.4m (£28.8m), although this took in £7.5m from acquisitions; sales from continuing operations fell to £25.9m, reflecting the continued decline in lower-margin hardware sales.

Mr Kevin Lomax, chairman, said the results represented record levels of sales, profits and earnings per share and that acquisitions had contributed only modestly to the final outcome.

The main acquisition during the year was Kapiti, a software house specialising in financial services, bought for £28m. Kapiti is based in the UK but much of its revenue is derived from overseas, increasing the group's international sales from 3 per cent to 25 per cent.

Kapiti now constitutes Misys' banking services division. Mr Lomax said new business had been won in Moscow, Hong Kong and Dubai.

Misys' largest operating division is financial services, which serves the insurance industry. It contributed £10.9m (£9.4m) to pre-tax profits. Mr Lomax said that a development



Kevin Lomax: new products will be launched next year

programme aimed at producing new products based on client/server architectures and open systems technology was drawing to a close. The products would be launched over the next year and would be aimed initially at larger accounts where the company has traditionally been less active.

He said there were few signs of an increase in capital investment in the company's main markets; changes in the insurance sector suggested the financial services division would continue to make good progress.

Earnings per share were ahead 19 per cent at 31.9p (26.8p); a final dividend of 5.06p is recommended, making 8.06p (7.01p) for the year.

● COMMENT
Continuing competitive and regulatory changes in the insurance industry, which have encouraged intermediaries to improve their efficiency through computerisation, are a significant factor in Misys' profitability despite the effect of recession on its other main markets. It is likely that the company can continue to mine the insurance seam for some time ahead, even if spending has to be pushed up to ensure leading edge technology. Kapiti should prove a sound foundation for growth in international banking, with pre-tax growth approaching 15 per cent expected this year, giving a prospective pie of about 12, shares are undervalued.

Stancroft takes 33% stake in Devanha

By Raymond Snoddy

Mr Nicholas Berry's Stancroft Trust has taken a sizeable stake in Devanha, the last of the modern broadband cable television companies owned entirely by UK interests.

Stancroft, which is the largest investor in three public companies - Coal Investments, Kinwick and Barlow, and Mntel, the consumer research organisation - has

taken a 33 per cent stake in Devanha.

The group has completed the construction of its cable franchises in both Aberdeen and Coventry. In Aberdeen the company has 16,000 subscribers out of the 33,000 homes that are passed by the cable network and therefore could subscribe. In Coventry there are some 10,000 subscribers out of the 117,000 homes passed.

No price was given for the transaction

last night, but Mr Graham Duncan, Devanha's chairman, welcomed Stancroft as an investor.

"The additional investment will allow us to develop the group in a way which we would not otherwise have been able to do," said Mr Duncan.

Apart from Aberdeen and Coventry, Devanha owns several smaller licensed cable systems in England.

US buyer for Switched Reluctance Drives

By Andrew Baxter

Switched Reluctance Drives, the Yorkshire-based developer of an innovative type of electric motor, has been bought by St Louis-based Emerson Electric, the world's largest producer of electric motors, for an undisclosed sum.

SRD claims world leadership in the technology of switched reluctance drives, which can outperform standard induction motors.

The purchase by Emerson is viewed by both companies as an important step for the development and commercial exploitation of the technology.

SRD has had an uphill battle convincing the industry of the advantages of its motors. But Professor Peter Lawrenson, the founder and chairman, believes they could now take a substantial share in the world electric motor market, worth £20bn to £25bn a year in total.

SRD, which employs 30 people

full-time, had pre-tax profits of £282,000 in the year to end-September, on turnover of £1.6m.

It will remain at Leeds, as a subsidiary of Emerson, with Prof Lawrenson as non-executive chairman, and Mr William Schayder joining from Emerson as chief executive.

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July 1994

COMMODITIES AND AGRICULTURE

Platinum price at a 3½-year high

By Kenneth Gooding, Mining Correspondent

Platinum prices were given a boost yesterday when speculators seized on bullish comments by Mr Michael Steel, market research director of Johnson Matthey, the world's biggest platinum market group.

He suggested in an interview with a Reuters correspondent in Tokyo that Japan might import record quantities of platinum and palladium this year and that the world's platinum supply surplus might disappear in 1995. Both metals are used in car anti-pollution catalysts.

Some US funds took this as a "buy" signal and in London platinum's price rose up to its highest level in three and a half years before closing at US\$421.75 a troy ounce, up \$5 an ounce. Palladium's price was "fixed" in London at \$151 an ounce, its highest since July, 1989.

Mr Steel said that platinum should be helped by a pick-up in world economic activity and a steady increase in demand for platinum jewellery. Demand in Japan, the world's largest consumer of both platinum and palladium, was high because of jewellery and investment demand even though US by Japan's motor industry would fall this year, he added.

Some analysts suggested that platinum prices would continue to be supported by worries about labour unrest in South Africa, the biggest producer, and also growing doubts about production at Norilsk in Russia, the second-largest.

However, Mr George Milling-Stanley, analyst at Lehman Brothers, said it was not a good sign that jewellery and investment demand - rather than the industrial sector - was helping prices up in Japan. He said "This may well be a flash in the pan for the platinum group metals".

MARKET REPORT

Plunge in copper prices undermines other metals

Sharp falls in COPPER prices weighed on the other base metals contracts at the London Metal Exchange yesterday afternoon.

Copper's three months delivery price plunged through several important chart support points, notably at \$2,510 and \$2,485 a tonne, as fund selling, stop-loss sales and liquidation brushed aside any buying, dealers said.

The ALUMINIUM market suffered from heavy liquidation, which emerged when the three months price backed through the \$1,495-\$1,500-a-tonne area, ignoring news of a further fall in LME warehouse stocks.

At the London Commodity Exchange COFFEE futures recovered some of Monday's

big falls as traders waited for Brazil to give a revised official estimate for the 1995-96 crop following the recent frosts. They said rumours that Brazil might cancel the auction of an extra 5m bags of stocks gave further encouragement to speculative buyers.

COCOA prices moved higher with coffee and were also aided by concern about dry weather in the Ivory Coast.

Compiled from Reuters

LME WAREHOUSE STOCKS (in thousands of tonnes)	
Aluminium	2,540,279
Aluminium alloy	27,600
Copper	238,875
Lead	353,000
Nickel	122,800
Zinc	1,212,125
Tin	30,500

Indonesia to cut timber production by 28%

By Manuela Saragosa in Jakarta

The Indonesian government has announced plans to reduce its timber output by over 28 per cent over the next five years because excessive logging is believed to have caused floods followed by severe droughts on the country's most densely populated island of Java.

Mr Djamalaedien Soeryadikusumo, the minister of forestry, said that the country's timber production would be cut to 22.5m cubic metres by the turn of the century from its present level of just over 30m cu m.

This month a severe drought in central Java damaged about 16,000 hectares of rice fields and is expected to lead to 3 per cent fall in Indonesia's rice output. Excessive logging is destroying the forest's crucial function of watershed protection.

Plans to reduce timber output are linked to increasing concern about the extent of illegal logging in the country. The government estimates between 4m and 6m cu m a year are cut down illegally each year but environmental lobbyists say the figure is much higher.

In recent months, the Ministry of Forestry has attempted to crack down on illegal logging. Mr Soeryadikusumo said that 248 forest concessionaires had violated logging regulations and were being fined a total of \$21m. Some concessionaires had already had their logging licences revoked.

Plans are also under way to implement an eco-labelling scheme, which would provide consumers with information about the origin of wood products manufactured in Indonesia.

Wood and paper products accounted for nearly a third of the total value of Indonesia's non-oil exports last year.

UK bread-wheat faces continental challenge

Imports have soared as the domestic crop has stagnated, writes John Buckley

UK wheat farmers risk losing market share to French and German rivals if they fail to grow enough quality bread-grain to meet millers' needs, according to leading group Rank Hovis McDougall.

With the advent of the single market and ever closer European Union intra-trade, the UK flour industry will almost certainly be challenged by continental competitors seeking outlets for their excess mill capacity in the years ahead. At a time when the ECU is under pressure to cut wheat exports under the General Agreement on Tariffs and Trade flour is an assured outlet that farmers can ill afford to lose.

RHM's plea to farmers is a perennial one, but this year it has taken on a sharper edge. In the past 12 months, UK bread-wheat imports soared 50 per cent to an estimated 1.5m tonnes - double the level of 1991-92 - after the domestic crop failed to supply the normal 80 per cent of millers' needs.

Millers' costs rose as quality wheat also ran short in Canada and the US, whose hard wheats are used to raise flour quality. It was a big disappointment for consumers who had been led to believe that wheat prices would drop 25 per cent with reform of the EU's common agricultural policy.

The millers acknowledge UK farmers face a dilemma. Bread wheat needs plenty of sunshine when crops are ripening to create protein and other qualities essential to make bread rise when baked. So the crop carries a risk of failure from fickle weather.

Sufficient price premiums

British flour has been made from up to 88 per cent home-grown grain. In the past year that dropped to only 71 per cent.

are needed to encourage planting of bread-wheat instead of lower-priced but much higher-yielding (and easier to grow) feed-wheat.

Plant breeders have been working for years to come up with an optimum mix of quality and yield to maximise farmers' profits; but such compromises do not suit millers' needs. Bread-flour requires a consistent and finely-balanced quality of wheat.

"We need to know exactly what we're getting varietal integrity, for example, is all important," points out Mr Peter Baker, managing director of Rank Hovis's milling division.

Farmers aiming to grow for the 3.2m-3.4m tonne UK bread-wheat market have to rely on guidance from their seed suppliers and on the signal from the previous season's bread-

wheat premiums. Some guesswork is inevitable. Yet getting the right balance between supply and demand is vital - too big a bread-wheat crop can depress the price premium and put farmers off in the following year. One suggestion is for more farmers to grow bread-wheat under fixed

contracts with buyers - a system expected to produce several hundred thousand tonnes next year. But contracts can have drawbacks. A miller could find himself locked into fixed costs while his competitors benefit from a fall in the market value of bread-wheat. Contracts would not prevent farmers growing too much bread-wheat, happened four years ago, causing the premium to collapse. Neither would contracts ensure production as the crop could fail on weather factors. "None the less, contracts may be a partial answer," concedes Rank Hovis Wheat director, Mr Peter Jones.

RHM, like other UK millers, sources its bread-wheats from many origins to build up quality of the 300 grades of flour it produces. In recent years, thanks to quantum leaps in

crop quality and flour milling technology, British flour has been made from up to 88 per cent home-grown grain. In the past year that dropped to only 71 per cent, partly because farmers sowed insufficient quantities of the right (Class 1) varieties, partly because the weather affected quality and partly because of missed opportunities. Hundreds of tonnes were drawn in from the Continent where supplies were often more readily available at competitive prices.

This year's UK wheat plantings are estimated to have risen by about 1.5 per cent, suggesting, with average yields, a crop close to last year's 12.5m tonnes. A fortnight ago Mr Jones was hoping that the fine weather would yield enough bread-wheat to reduce imports to as little as 1m tonnes. But weeks of scorching, dry conditions have threatened crop stress and concern for quality is already reflected in slow farmer selling and premiums of up to £24 a tonne for bread-wheat over feed-wheat. A clear national quality picture will not emerge, however, before the second week of August, when harvesting will be in full swing.

The bread-wheat premiums must also be added to higher-than-expected base prices - confounding forecasts that consumers' grain costs would be

cut by CAP reform. Although EU support prices have been reduced in European currency unit terms sterling prices have been boosted by two "green" pound devaluations this month alone. Not that the open market need take much notice of support - it is already trading well above that level, and above that of this time last year, thanks to empty intervention stocks, a year of heavier-than-expected exports, and strong demand from the animal feed sector. Having started the new season with a much smaller carry-over, the UK has already sold forward a significant chunk of the coming crop for export. With EU intervention stocks also sharply down and concern being expressed over French and German wheat quality many consumers are bracing themselves for high grain costs over the coming year.

"What we need above all is orderly marketing," says Mr Jones. "We want to use more British wheat and we could have used more last year if prices had been competitive when quality fears first emerged. There is always a tendency in this market to respond to short-term price signals; opportunities to sell at a reasonable price can be lost. However, it is vital for farmers in the long term to keep as much of this processing business as they can in the UK."

Jamaica calls time on international bauxite pact

By Canute James in Kingston

Jamaica is leaving the bauxite producers' organisation, which it helped to create 20 years ago, suggesting that it is no longer relevant to its members.

It will tell the other members of the International Bauxite Association that the body should be dissolved. If the others disagree then Jamaica will secede, says Mr Robert Pickersgill, the island's mining minister.

The government's decision

has come after several months of uncertainty over the future of the IBA, which has its headquarters in Kingston, following reports that many members were delinquent in meeting their financial obligations.

The association, which bauxite (aluminium ore) and alumina (aluminium oxide) consumers had feared would become a cartel, has been acting as a data bank for its members, allowing them to exchange information and ideas on the state of the indus-

try. It received a setback two years ago when Australia, its most important member, pulled out, questioning the IBA's relevance.

This deprived the IBA of about 40 per cent of its budget, and the situation was worsened by a high level of delinquency among the remaining members. The association lists its members as Ghana, Guinea, Guyana, India, Indonesia, Jamaica, Sierra Leone and Surinam. Before Australia pulled out the IBA lost two of its

founding members - the Dominican Republic and Haiti - because their industries were shut down. It also lost another founding member with the break-up of Yugoslavia.

"When the IBA was established in 1974 its members accounted for about 75 per cent of the world's bauxite production, but this has fallen to about 25 per cent today," Mr Pickersgill says. "We have said to the other members that we do not think that we are progressing, and that we want an

end to the IBA." The IBA was unsuccessful in expanding its membership, and failed to attract producers such as Brazil despite repeated attempts. It also failed to broker a commodity pact between bauxite producers and consumers under the aegis of the UN Committee on Trade and Development, because of a lack of support from either side, and because bauxite trade could not be organised in pacts similar to those for other commodities.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7 PURITY (% per tonne)

	Close	Previous
Cash	1470.5-1515	1468-98
3 months	1468-98	1468-98
High/Low	1468-98	1468-98
AM Official	1468-98	1468-98
Kerb close	1468-98	1468-98
Open int.	279,528	279,528
Total daily turnover	40,828	40,828

ALUMINIUM ALLOY (% per tonne)

	Close	Previous
Cash	1470.5-1515	1468-98
3 months	1468-98	1468-98
High/Low	1468-98	1468-98
AM Official	1468-98	1468-98
Kerb close	1468-98	1468-98
Open int.	2,591	2,591
Total daily turnover	666	666

LEAD (% per tonne)

	Close	Previous
Cash	578.5-583.5	583-94
3 months	583-94	583-94
High/Low	583-94	583-94
AM Official	583-94	583-94
Kerb close	583-94	583-94
Open int.	41,892	41,892
Total daily turnover	11,163	11,163

NICKEL (% per tonne)

	Close	Previous
Cash	6195-6205	6245-60
3 months	6245-60	6245-60
High/Low	6245-60	6245-60
AM Official	6245-60	6245-60
Kerb close	6245-60	6245-60
Open int.	56,575	56,575
Total daily turnover	6,883	6,883

TIN (% per tonne)

	Close	Previous
Cash	5245-50	5315-25
3 months	5315-25	5315-25
High/Low	5315-25	5315-25
AM Official	5315-25	5315-25
Kerb close	5315-25	5315-25
Open int.	102,523	102,523
Total daily turnover	16,834	16,834

COPPER, grade A (% per tonne)

	Close	Previous
Cash	2479-80	2494-85
3 months	2494-85	2494-85
High/Low	2494-85	2494-85
AM Official	2494-85	2494-85
Kerb close	2494-85	2494-85
Open int.	224,400	224,400
Total daily turnover	82,197	82,197

LME ALUMINUM OFFICE 2% rate: 1.5854

HIGH GRADE COPPER (COMEX)

	Close	Previous
Cash	111.00	111.25
3 months	111.25	111.25
High/Low	111.25	111.25
AM Official	111.25	111.25
Kerb close	111.25	111.25
Open int.	11,163	11,163
Total daily turnover	16,834	16,834

PRECIOUS METALS

LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

GOLD (Troy oz)

	Close	Previous
Cash	385.10-386.50	385.10-386.50
3 months	385.10-386.50	385.10-386.50
High/Low	385.10-386.50	385.10-386.50
AM Official	385.10-386.50	385.10-386.50
Kerb close	385.10-386.50	385.10-386.50
Open int.	385.10-386.50	385.10-386.50
Total daily turnover	385.10-386.50	385.10-386.50

SILVER (Troy oz)

	Close	Previous
Cash	385.10-386.50	385.10-386.50
3 months	385.10-386.50	385.10-386.50
High/Low	385.10-386.50	385.10-386.50
AM Official	385.10-386.50	385.10-386.50
Kerb close	385.10-386.50	385.10-386.50
Open int.	385.10-386.50	385.10-386.50
Total daily turnover	385.10-386.50	385.10-386.50

LONDON GOLD LEASING RATES (% per annum)

	Close	Previous
Cash	3.50-3.75	3.50-3.75
3 months	3.75-4.00	3.75-4.00
High/Low	3.75-4.00	3.75-4.00
AM Official	3.75-4.00	3.75-4.00
Kerb close	3.75-4.00	3.75-4.00
Open int.	3.75-4.00	3.75-4.00
Total daily turnover	3.75-4.00	3.75-4.00

LONDON SILVER LEASING RATES (% per annum)

	Close	Previous
Cash	3.50-3.75	3.50-3.75
3 months	3.75-4.00	3.75-4.00
High/Low	3.75-4.00	3.75-4.00
AM Official	3.75-4.00	3.75-4.00
Kerb close	3.75-4.00	3.75-4.00
Open int.	3.75-4.00	3.75-4.00
Total daily turnover	3.75-4.00	3.75-4.00

Precious Metals continued

GOLD COMEX (100 Troy oz)

	Close	Previous
Cash	385.10-386.50	385.10-386.50
3 months	385.10-386.50	385.10-386.50
High/Low	385.10-386.50	385.10-386.50
AM Official	385.10-386.50	385.10-386.50
Kerb close	385.10-386.50	385.10-386.50
Open int.	385.10-386.50	385.10-386.50
Total daily turnover	385.10-386.50	385.10-386.50

PLATINUM NYMEX (50 Troy oz)

	Close	Previous
Cash	421.75	421.75
3 months	421.75	421.75
High/Low	421.75	421.75
AM Official	421.75	421.75
Kerb close	421.75	421.75
Open int.	421.75	421.75
Total daily turnover	421.75	421.75

PALLADIUM NYMEX (100 Troy oz)

	Close	Previous
Cash	151.00	151.00
3 months	151.00	151.00
High/Low	151.00	151.00
AM Official	151.00	151.00
Kerb close	151.00	151.00
Open int.	151.00	151.00
Total daily turnover	151.00	151.00

SILVER COMEX (100 Troy oz)

	Close	Previous
Cash	531.50	531.50
3 months	531.50	531.50
High/Low	531.50	531.50
AM Official	531.50	531.50
Kerb close	531.50	531.50
Open int.	531.50	531.50
Total daily turnover	531.50	531.50

CRUDE OIL NYMEX (42,000 US gal)

	Close	Previous
Cash	18.25	18.25
3 months	18.25	18.25
High/Low	18.25	18.25
AM Official	18.25	18.25
Kerb close	18.25	18.25
Open int.	18.25	18.25
Total daily turnover	18.25	18.25

CRUDE OIL IPE (Shanghai)

	Close	Previous
Cash	17.75	17.75
3 months	17.75	17.75
High/Low	17.75	17.75
AM Official	17.75	17.75
Kerb close	17.75	17.75
Open int.	17.75	17.75
Total daily turnover	17.75	17.75

HEATING OIL NYMEX (42,000 US gal)

LONDON SHARE SERVICE**INVESTMENT TRUSTS - Cont**

Year	Age	Sex	Gr	Wt	Uter
1959	20	♀	1	10.0	3.1
1960	20	♀	1	10.0	3.1
1961	20	♀	1	10.0	3.1
1962	20	♀	1	10.0	3.1
1963	20	♀	1	10.0	3.1
1964	20	♀	1	10.0	3.1
1965	20	♀	1	10.0	3.1
1966	20	♀	1	10.0	3.1
1967	20	♀	1	10.0	3.1
1968	20	♀	1	10.0	3.1
1969	20	♀	1	10.0	3.1
1970	20	♀	1	10.0	3.1
1971	20	♀	1	10.0	3.1
1972	20	♀	1	10.0	3.1
1973	20	♀	1	10.0	3.1
1974	20	♀	1	10.0	3.1
1975	20	♀	1	10.0	3.1
1976	20	♀	1	10.0	3.1
1977	20	♀	1	10.0	3.1
1978	20	♀	1	10.0	3.1
1979	20	♀	1	10.0	3.1
1980	20	♀	1	10.0	3.1
1981	20	♀	1	10.0	3.1
1982	20	♀	1	10.0	3.1
1983	20	♀	1	10.0	3.1
1984	20	♀	1	10.0	3.1
1985	20	♀	1	10.0	3.1
1986	20	♀	1	10.0	3.1
1987	20	♀	1	10.0	3.1
1988	20	♀	1	10.0	3.1
1989	20	♀	1	10.0	3.1
1990	20	♀	1	10.0	3.1
1991	20	♀	1	10.0	3.1
1992	20	♀	1	10.0	3.1
1993	20	♀	1	10.0	3.1
1994	20	♀	1	10.0	3.1
1995	20	♀	1	10.0	3.1
1996	20	♀	1	10.0	3.1
1997	20	♀	1	10.0	3.1
1998	20	♀	1	10.0	3.1
1999	20	♀	1	10.0	3.1
2000	20	♀	1	10.0	3.1
2001	20	♀	1	10.0	3.1
2002	20	♀	1	10.0	3.1
2003	20	♀	1	10.0	3.1
2004	20	♀	1	10.0	3.1
2005	20	♀	1	10.0	3.1
2006	20	♀	1	10.0	3.1
2007	20	♀	1	10.0	3.1
2008	20	♀	1	10.0	3.1
2009	20	♀	1	10.0	3.1
2010	20	♀	1	10.0	3.1
2011	20	♀	1	10.0	3.1
2012	20	♀	1	10.0	3.1
2013	20	♀	1	10.0	3.1
2014	20	♀	1	10.0	3.1
2015	20	♀	1	10.0	3.1
2016	20	♀	1	10.0	3.1
2017	20	♀	1	10.0	3.1
2018	20	♀	1	10.0	3.1
2019	20	♀	1	10.0	3.1
2020	20	♀	1	10.0	3.1
2021	20	♀	1	10.0	3.1
2022	20	♀	1	10.0	3.1
2023	20	♀	1	10.0	3.1
2024	20	♀	1	10.0	3.1
2025	20	♀	1	10.0	3.1
2026	20	♀	1	10.0	3.1
2027	20	♀	1	10.0	3.1
2028	20	♀	1	10.0	3.1
2029	20	♀	1	10.0	3.1
2030	20	♀	1	10.0	3.1
2031	20	♀	1	10.0	3.1
2032	20	♀	1	10.0	3.1
2033	20	♀	1	10.0	3.1
2034	20	♀	1	10.0	3.1
2035	20	♀	1	10.0	3.1
2036	20	♀	1	10.0	3.1
2037	20	♀	1	10.0	3.1
2038	20	♀	1	10.0	3.1
2039	20	♀	1	10.0	3.1

French Prop. 8-10

94	24.8	140.4	8.4
95	-	140.4	8.4
96	21.2	140.4	8.4
97	134.4	-	-
98	247	0.6	265.9
99	133	13.3	49.3
100	-	-	-
101	-	86.8	-17.4
102	103	-	-
103	106	-	198.6
104	125	8.2	144.2
105	122	-	-
106	120	0.6	144.9
107	123	-	-
108	127	18.7	-
109	12	-	241.1
110	154	-	58.8
111	5305	1.4	-
112	11.6	60.7	-23.9
113	97	-	-
114	27.2	18.1	31.7
115	84	-	-
116	103	8.3	109.3
117	102	-	-
118	150	-	261.9
119	150	-	32.7

Stopped Pl _____ M 1074
German Inv _____ 981
Wizards _____

107	187	10	6.8	21.6	13.0
108	188	11	7.2	21.7	-6
109	189	12	7.6	21.8	-1
110	190	13	8.0	21.9	4
111	191	14	8.4	22.0	12
112	192	15	8.8	22.1	14
113	193	16	9.2	22.2	14
114	194	17	9.6	22.3	14
115	195	18	10.0	22.4	14
116	196	19	10.4	22.5	14
117	197	20	10.8	22.6	14
118	198	21	11.2	22.7	14
119	199	22	11.6	22.8	14
120	200	23	12.0	22.9	14
121	201	24	12.4	23.0	14
122	202	25	12.8	23.1	14
123	203	26	13.2	23.2	14
124	204	27	13.6	23.3	14
125	205	28	14.0	23.4	14
126	206	29	14.4	23.5	14
127	207	30	14.8	23.6	14
128	208	31	15.2	23.7	14
129	209	32	15.6	23.8	14
130	210	33	16.0	23.9	14
131	211	34	16.4	24.0	14
132	212	35	16.8	24.1	14
133	213	36	17.2	24.2	14
134	214	37	17.6	24.3	14
135	215	38	18.0	24.4	14
136	216	39	18.4	24.5	14
137	217	40	18.8	24.6	14
138	218	41	19.2	24.7	14
139	219	42	19.6	24.8	14
140	220	43	20.0	24.9	14
141	221	44	20.4	25.0	14
142	222	45	20.8	25.1	14
143	223	46	21.2	25.2	14
144	224	47	21.6	25.3	14
145	225	48	22.0	25.4	14
146	226	49	22.4	25.5	14
147	227	50	22.8	25.6	14
148	228	51	23.2	25.7	14
149	229	52	23.6	25.8	14
150	230	53	24.0	25.9	14
151	231	54	24.4	26.0	14
152	232	55	24.8	26.1	14
153	233	56	25.2	26.2	14
154	234	57	25.6	26.3	14
155	235	58	26.0	26.4	14
156	236	59	26.4	26.5	14
157	237	60	26.8	26.6	14
158	238	61	27.2	26.7	14
159	239	62	27.6	26.8	14
160	240	63	28.0	26.9	14
161	241	64	28.4	27.0	14
162	242	65	28.8	27.1	14
163	243	66	29.2	27.2	14
164	244	67	29.6	27.3	14
165	245	68	30.0	27.4	14
166	246	69	30.4	27.5	14
167	247	70	30.8	27.6	14
168	248	71	31.2	27.7	14
169	249	72	31.6	27.8	14
170	250	73	32.0	27.9	14
171	251	74	32.4	28.0	14
172	252	75	32.8	28.1	14
173	253	76	33.2	28.2	14
174	254	77	33.6	28.3	14
175	255	78	34.0	28.4	14
176	256	79	34.4	28.5	14
177	257	80	34.8	28.6	14
178	258	81	35.2	28.7	14
179	259	82	35.6	28.8	14
180	260	83	36.0	28.9	14
181	261	84	36.4	29.0	14
182	262	85	36.8	29.1	14
183	263	86	37.2	29.2	14
184	264	87	37.6	29.3	14
185	265	88	38.0	29.4	14
186	266	89	38.4	29.5	14
187	267	90	38.8	29.6	14
188	268	91	39.2	29.7	14
189	269	92	39.6	29.8	14
190	270	93	40.0	29.9	14
191	271	94	40.4	30.0	14
192	272	95	40.8	30.1	14
193	273	96	41.2	30.2	14
194	274	97	41.6	30.3	14
195	275	98	42.0	30.4	14
196	276	99	42.4	30.5	14
197	277	100	42.8	30.6	14
198	278	101	43.2	30.7	14
199	279	102	43.6	30.8	14
200	280	103	44.0	30.9	14
201	281	104	44.4	31.0	14
202	282	105	44.8	31.1	14
203	283	106	45.2	31.2	14
204	284	107	45.6	31.3	14
205	285	108	46.0	31.4	14
206	286	109	46.4	31.5	14
207	287	110	46.8	31.6	14
208	288	111	47.2	31.7	14
209	289	112	47.6	31.8	14
210	290	113	48.0	31.9	14
211	291	114	48.4	32.0	14
212	292	115	48.8	32.1	14
213	293	116	49.2	32.2	14
214	294	117	49.6	32.3	14
215	295	118	50.0	32.4	14
216	296	119	50.4	32.5	14
217	297	120	50.8	32.6	14
218	298	121	51.2	32.7	14
219	299	122	51.6	32.8	14
220	300	123	52.0	32.9	14
221	301	124	52.4	33.0	14
222	302	125	52.8	33.1	14
223	303	126	53.2	33.2	14
224	304	127	53.6	33.3	14
225	305	128	54.0	33.4	14
226	306	129	54.4	33.5	14
227	307	130	54.8	33.6	14
228	308	131	55.2	33.7	14
229	309	132	55.6	33.8	14
230	310	133	56.0	33.9	14
231	311	134	56.4	34.0	14
232	312	135	56.8	34.1	14
233	313	136	57.2	34.2	14
234	314	137	57.6	34.3	14
235	315	138	58.0	34.4	14
236	316	139	58.4	34.5	14
237	317	140	58.8	34.6	14
238	318	141	59.2	34.7	14
239	319	142	59.6	34.8	14
240	320	143	60.0	34.9	14
241	321	144	60.4	35.0	14
242	322	145	60.8	35.1	14
243	323	146	61.2	35.2	14
244	324	147	61.6	35.3	14
245	325	148	62.0	35.4	14
246	326	149	62.4	35.5	14
247	327	150	62.8	35.6	14
248	328	151	63.2	35.7	14
249	329	152	63.6	35.8	14
250	330	153	64.0	35.9	14
251	331	154	64.4	36.0	14
252	332	155	64.8	36.1	14
253	333	156	65.2	36.2	14
254	334	157	65.6	36.3	14
255	335	158	66.0	36.4	14
256	336	159	66.4	36.5	14
257	337	160	66.8	36.6	14
258	338	161	67.2	36.7	14
259	339	162	67.6	36.8	14
260	340	163	68.0	36.9	14
261	341	164	68.4	37.0	14
262	342	165	68.8	37.1	14
263	343	166	69.2	37.2	14
264	344	167	69.6	37.3	14
265	345	168	70.0	37.4	14
266	346	169	70.4	37.5	14
267	347	170	70.8	37.6	14
268	348	171	71.2	37.7	14
269	349	172	71.6	37.8	14
270	350	173	72.0	37.9	14
271	351	174	72.4	38.0	14
272	352	175	72.8	38.1	14
273	353	176	73.2	38.2	14
274	354	177	73.6	38.3	14
275	355	178	74.0	38.4	14
276	356	179	74.4	38.5	14
277	357	180	74.8	38.6	14
278	358	181	75.2	38.7	14
279	359	182	75.6	38.8	14
280	360	183	76.0	38.9	14
281	361	184	76.4	39.0	14
282	362	185	76.8	39.1	14
283	363	186	77.2	39.2	14
284	364	187	77.6	39.3	14
285	365	188	78.0	39.4	14
286	366	189	78.4	39.5	14
287	367	190	78.8	39.6	14
288	368	191	79.2	39.7	14
289	369	192	79.6	39.8	14
290	370	193	80.0	39.9	14
291	371	194	80.4	40.0	14
292	372	195	80.8	40.1	14
293	373	196	81.2	40.2	14
294	374	197	81.6	40.3	14
295	375	198	82.0	40.4	14
296	376	199	82.4	40.5	14
297	377	200	82.8	40.6	14
298	378	201	83.2	40.7	14
299	379	202	83.6	40.8	14
300	380	203	84.0	40.9	14
301	381	204	84.4	41.0	14
302	382	205	84.8	41.1	14
303	383	206	85.2	41.2	14
304	384	207	85.6	41.3	14
305	385	208	86.0	41.4	14
306	386	209	86.4	41.5	14
307	387	210	86.8	41.6	14
308	388	211	87.2	41.7	14
309	389	212	87.6	41.8	14
310	390	213	88.0	41.9	14
311	391	214	88.4	42.0	14
312	392	215	88.8	42.1	14
313	393	216	89.2	42.2	14
314	394	217	89.6	42.3	14
315	395	218	90.0	42.4	14
316	396	219	90.4	42.5	14
317	397	220	90.8	42.6	14
318	398	221	91.2	42.7	14
319	399	222	91.6	42.8	14
320	400	223	92.0	42.9	14
321	401	224	92.4	43.0	14
322	402	225	92.8	43.1	14
323	403	226	93.2	43.2	14
324	404	227	93.6	43.3	14
325	405	228	94.0	43.4	14
326	406	229	94.4	43.5	14
327	407	230	94.8	43.6	14
328	408	231	95.2	43.7	14
329	409	232	95.6	43.8	14
330	410	233	96.0	43.9	14
331	411	234	96.4	44.0	14
332	412	235	96.8	44.1	14
333	413	236	97.2	44.2	14
334	414	237	97.6	44.3	14
335	415	238	98.0	44.4	14
336	416	239	98.4	44.5	14
337	417	240	98.8	44.6	14
338	418	241	99.2	44.7	14
339	419	242	99.6	44.8	14
340	420	243	100.0	44.9	14
341	421	244	100.4	45.0	14
342	422	245</			

Incognita _____ N 100
Zero Div P1 _____ 116¹/₂
mm Inc _____ 2M 20

40		60.2	2.5
41		1.9	102.2
42		22.1	
43			
44		8.2	60.3
45		13.6	
46		1.7	115.0
47		0.9	
48			
49		3.8	34.7
50		14.2	
51		25.4	
52		2.2	
53			
54		12.7	5.8
55		92.5	1.1
56			
57		9.9	91.9
58		-7.2	
59			
60		1.7	287.0
61		19.3	
62		5.7	
63		3.4	67.7
64		7.3	
65		3.3	613.4
66		-10.2	
67		-10.8	
68		18.2	
69		16.6	
70		12.9	
71		-9.0	
72		38.3	
73		122.4	29.3
74			
75		13.8	
76		3.2	287.7
77		16.7	
78		59.9	23.2
79			
80		4.1	86.8
81		2.9	
82			
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100			

2040	_____	258
& G Dual Inc.	_____N	328
Cap	_____	2590

40	14.2	-	-
267 ₂	-	74.9	56.8
120	4.9	129.0	-2.4
68	8.2	76.8	2.7
52	-	-	-
32	13.2	-	-
27 ₂	-	77.1	54.0
62	6.6	78.2	6.6
72	-	-	-
137 ₂	3.3	137.5	-3.2
127	22.2	-	-
465	-	821.8	8.1
190	3.0	234.1	11.6
122	3.6	140.6	0.6
44	-	53.6	10.4
107	0.3	190.0	8.3
93	-	-	-
139	0.3	158.0	5.5
50	-	-	-
133	3.4	182.5	16.2
3	-	-	-
237	6.1	261.0	-4.4
79 ₂	-	97.1	12.6
28 ₂	-	-	-

Library Resource	004
Library World ling	111
Librarians	30

170	9.8	-	-
210	-	292.2	14.4
380	1.9	416.5	3.7
49	-	87.3	5.4
25	-	-	-
482	1.6	583.1	6.0
144	3.6	152.2	2.7
40	-	-	-
120	4.1	129.8	-9
46	-	-	-
127	4.3	133.7	1.3
43	-	-	-
87	-	92.2	1.3
39	-	-	-
114	2.9	127.0	2.4
34	-	-	-
54	0.6	63.5	6.7
16	-	-	-
317	4.0	337.1	-3.4

348	349	350	351	352	353	354	355	356	357	358	359	360	361	362	363	364	365	366	367	368	369	370	371	372	373	374	375	376	377	378	379	380	381	382	383	384	385	386	387	388	389	390	391	392	393	394	395	396	397	398	399	400
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479	1.2	465.2	2.4
484			9.2
160			14.0
176		205.1	26.9
460			133.0
132			16.0
254		4.2	263.6
			14.6
118	3.6	129.3	10.3
119		104.3	4.8
120			1.2
97	3.6	112.3	5.6
91		110.4	1.2
111			26.8
103	4.5	123.5	6.9
140			1.2
E168			
61	0.4		
183		128.5	45.7
184	1.5	220.5	3.6
185			11.2
70		56.1	17.0
514			
208		276.6	13.2
209	0.5		
228	2.3	393.2	18.0
121			4.7
330	1.1	417.0	12.6
331			
332	0.7	419.0	5.2
333			
334	0.6	402.5	9.6
43		3.2	242.4
177			19.1
178			
122		136.6	5.7

TRANSPORT - Cont.[illegible][illegible]

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CURRENCIES AND MONEY

MARKETS REPORT

Pound slips against yen

The breach of a key technical level of sterling against yen saw the UK currency slip on the foreign exchange yesterday, writes Philip Cowell.

Sterling ignored some good news in the CBI quarterly industrial trends survey and fell below ¥150, a level that had held on previous occasions. It closed in London at ¥149.533 from Monday's ¥151.728.

In this trading conditions, the dollar slipped to close at ¥98 from ¥98.65, but was firmer against the D-Mark and finished at DM1.5865 from DM1.576. The market paid little attention to the Conference board's July consumer confidence index which slipped to 91.6 from 92.5 in June.

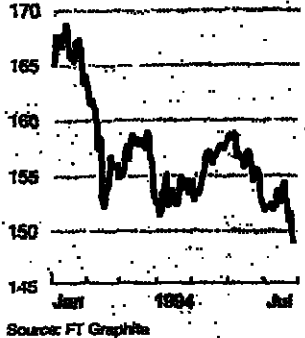
Traders were keeping a close eye on the start of the White-water hearings before the House banking committee. In Europe, the D-Mark lost ground against most currencies. The Portuguese escudo responded positively to a rate cut which was seen as a sign of economic strength. The central bank cut 0.5 of a percentage point off its rates for draining funds and injecting emergency overnight funds, to 10.5 per cent and 13 per cent respectively.

The escudo closed unchanged at Esc202.3 against the D-Mark, its highest level since late April. In Israel, the central bank said it was raising short term interest rates by 0.5 of a percentage point to a minimum of 11.8 per cent. The move is aimed at combating inflation which is expected to rise above the official 8 per cent target for the year.

A feature of sterling's weakness has been the breakdown of its close relationship with the dollar. Until recently, statistical studies suggested that as much as 96 per cent of 4/2 moves over the past six months could be attributed to moves in the 8/D-Mark rate. When the dollar made a sharp recovery last week, however, sterling failed to follow. Mr Robert Thomas, currency strategist at NatWest Markets, commented: "There was a presumption that the glue that had held sterling to the dollar as the US currency fell would

Sterling

Against the Yen (¥ per £)



Source: FT Graphs

£ Poured in New York

Jul 26 - 149.533 -1.185

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its repo rate at 4.35 per cent for the next four weeks, while the Federal Reserve is not expected to shift rates before the mid-August FOMC meeting.

This did not stop Mr Wayne Angell, economist at Bear Stearns and former Fed governor, criticising the 4.25 per cent Fed funds rate as too accommodative. He suggested that as many as seven Fed banks might ask for a discount rate hike prior to the August FOMC meeting.

There was also good news for the dollar in the form of supportive interest rate comments emerging from Germany. Mr Hilmar Kopper, chief executive of Deutsche Bank, told the bank's interim press conference that he expected the decline in short term interest rates to continue.

His comments followed overnight observations from Mr Otmir Ising, a Bundesbank board member, who stressed that the "summer break does not mean that we have rolled down the blinds and closed down policy. Rather, we have made clear that what we want is stability in the money markets and to calm down interest rate expectations," he said.

German call money firmed to 4.55/06 per cent ahead of today's repo where the rate has been fixed at 4.35 per cent. Ms Alison Cottrell, international economist at Midland Global Markets, predicts that only a low portion of bids are likely to be filled.

"With call money at 5 per cent and rising, and the repo rate a fixed 4.35 per cent, banks will bid for more funds than normal," said Ms Cottrell. There is no downside risk of paying more, and in the expectation that others will do likewise, banks are likely to inflate their bids to ensure they get their share of funds.

The Bank of England provided UK money markets with \$450m against forecast \$550m shortage.

Part of the explanation for the fairly listless performance of the dollar is that there is little new information to cheer. "From the market's point of view the problem is that we are not likely to see a policy change from the US or Germany for a number of weeks," said Mr Tony Norfield, treasury economist at ABN-AMRO. The Bundesbank has frozen

POUND SPOT FORWARD AGAINST THE POUND

Jul 26	Closing mid-point	Change on day	Settlement spread	Day's bid/ask	One month	Three months	One year	Bank of England		
				high	% A/P	% A/P	% A/P	Eng. Index		
Europe										
Austria (Sch)	17.0389	-0.0081	282 - 446	17.1375	17.0044	17.0208	0.3	17.2007	0.4	114.7
Belgium (Bfr)	48.8466	-0.1544	076 - 915	50.1310	48.7180	48.8446	0.1	48.8696	-0.1	116.2
Denmark (DKr)	9.5148	-0.0312	110 - 185	9.5547	9.4857	9.5218	-0.3	9.5619	-0.7	116.0
France (Ffr)	6.5620	-0.0749	581 - 764	6.6000	7.5580					82.4
Germany (DM)	8.4208	-0.0471	595 - 674	8.5102	8.5294	8.297	-0.5	8.2714	-0.4	105.8
Greece (Dr)	365.899	-0.0107	194 - 221	2.4380	2.4148	2.4204	-0.2	2.4195	0.2	125.3
Ireland (Ir£)	1.0136	-1.147	682 - 135	367.982	366.199					104.1
Italy (Lira)	2413.44	-0.0008	118 - 133	1.0166	1.0090	1.013	-0.5	1.0174	-0.5	104.1
Luxembourg (Ffr)	48.8466	-5.32	212 - 475	2422.08	2406.47	2420.14	-3.3	2405.34	-3.1	2405.34
Netherlands (Gld)	2.7156	-0.1544	076 - 915	50.1310	48.7180	48.8446	0.1	48.8696	-0.1	116.2
Norway (Nkr)	10.5450	-0.0088	145 - 166	2.7314	2.7110	2.7151	0.2	2.7137	0.2	120.1
Portugal (Esc)	247.846	-0.0098	455 - 855	2.7314	2.7110	2.7151	0.2	2.7137	0.2	120.1
Spain (Ptas)	195.971	-1.117	436 - 855	249.374	246.759	249.378	-0.4	252.536	-7.9	-
Sweden (Skr)	11.6108	-1.121	809 - 103	200.448	198.516	199.418	-2.7	200.247	-2.6	200.247
Switzerland (Sfr)	2.0561	-0.1841	855 - 271	11.5847	11.7308	11.6108	-0.2	12.1033	-2.5	74.1
UK (£)	2.0561	-0.005	548 - 573	2.0590	2.0525	2.0548	-0.3	2.0574	-0.3	119.4
USA (\$)	1.2648	-0.0061	642 - 653	1.2721	1.2630	1.2657	-0.8	1.2687	-0.7	126.8
Asia										
Argentina (Peso)	1.6298	-0.0098	253 - 262	1.5320	1.5210					
Brazil (R\$)	1.6298	-0.0115	218 - 265	1.6322	1.6214					
Canada (Cdn\$)	1.0353	-0.0088	044 - 082	2.1135	2.0926	2.1067	-0.8	2.1104	-1.0	1.375
China (Yen)	5.1892	-0.0092	019 - 004	5.2150	5.1838					86.1
India (Rupee)	1.6298	-0.0088	255 - 262	1.5323	1.5212	1.525	0.7	1.5241	0.5	1.5202
Japan (¥)	1.6298	-0.0088	255 - 262	1.5323	1.5212	1.525	0.7	1.5241	0.5	1.5202
USA (\$)	1.6298	-0.0088	255 - 262	1.5323	1.5212	1.525	0.7	1.5241	0.5	1.5202
Asia										
Australia (A\$)	0.6322	-0.0117	510 - 533	2.0934	2.0821	2.0521	0.0	2.0835	-0.3	2.0719
China (Yen)	1.7074	-0.0544	233 - 906	11.8385	11.7693	11.7693	0.2	11.7695	0.0	-
Hong Kong (HK\$)	47.8640	-0.2604	473 - 807	48.0640	47.7330					-
Japan (¥)	149.534	-1.364	423 - 844	151.350	149.110	149.154	-0.3	149.389	-0.3	144.394
Malaysia (RM)	3.0570	-0.018	585 - 981	3.0712	3.0438					193.0
New Zealand (NZ\$)	2.5240	-0.019	252 - 474	2.5335	2.5178	2.5229	-1.8	2.5357	-1.8	2.558
Philippines (Peso)	0.2023	-0.0196	156 - 989	0.4151	0.38125					-
Saudi Arabia (Riyal)	5.2665	-0.0311	208 - 242	5.3475	5.3075					-
Singapore (Singapore Dollar)	2.3340	-0.0111	038 - 053	2.3129	2.2862					-
South Africa (Rand)	5.6905	-0.05	244 - 474	5.6929	5.6929					-
S Africa (Fm)	6.2055	-0.0761	181 - 518	6.9873	6.9179					-
South Korea (Won)	1224.42	-7.27	408 - 476	1229.87	1220.78					-
Thailand (Baht)	40.0028	-0.189	920 - 1009	40.7316	40.4929					-
Thailand (Baht)	38.0952	-0.2532	812 - 925	38.7392	38.3920					-

ISOR rate for Jul 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & EU are quoted in US currency. J.P. Morgan's implied Jul 26. State average 1993-1994.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 26	Closing mid-point	Change on day	Bid/offer spread	Day's high/low	One month %FA	Three months %FA	One year %FA	JP Morgan	
Europe									
Australia	(A\$) 1.1655	+0.016	630 - 639	11.2200 11.1570	11.1682 -0.3	11.1618 -0.1	11.0536	8.7	
Belgium	(Bfr) 32.6700	+0.005	500 - 500	32.8200 32.6170	32.68 -0.4	32.7275 -0.7	32.79 -0.4	105.4	
Denmark	(DKr) 6.2337	+0.0134	347 - 367	6.2596 6.2267	6.2417 -1.2	6.2527 -1.1	6.2867 -0.9	106.1	
France	(Ffr) 5.2215	-0.0206	187 - 263	5.2767 5.2167	5.2245 -0.7	5.2227 -0.4	5.2526 -0.9	105.9	
Germany	(DM) 3.4158	-0.0033	145 - 170	3.4471 3.4145	3.4208 -1.1	3.4266 -0.8	3.4043 -0.2	106.7	
Greece	(Dr) 1.1.685	-0.0005	900 - 900	1.1850 1.1850	1.1854 -0.4	1.1854 -0.4	1.1777 -0.4	108.4	
Ireland	(Ir£) 238.900	+0.65	700 - 900	240.750 238.200	240.15 -1.8	240.92 -1.9	244.3 -1.9	69.1	
Italy	(Lira) 1.5070	-0.009	927 - 1077	1.5121 -1.4995	1.5056 -1.0	1.5035 -0.8	1.4947 -0.8	-	
Netherlands	(Gld) 1.981.70	+4.77	120 - 220	1988.00 1978.25	1984.76 -3.8	1985.55 -3.5	1933.7 -3.3	76.8	
Norway	(Nkr) 32.6700	+0.005	500 - 500	32.8200 32.6170	32.68 -0.4	32.7275 -0.6	32.79 -0.4	105.4	
Portugal	(Esc) 1.7757	-0.0038	794 - 800	1.7825 1.7750	1.7802 -0.4	1.7791 -0.1	1.772 -0.1	107.2	
Spain	(Ptas) 8.9109	-0.0033	899 - 119	8.9456 8.9067	8.9144 -0.6	8.9189 -0.5	8.8944 -0.2	96.5	
Sweden	(Skr) 162.300	+0.15	200 - 400	163.200 161.970	163.53 -0.8	163.57 -0.8	172.7 -0.4	94.3	
Switzerland	(Sfr) 1.6298	-0.0065	450 - 450	1.6119 1.62925	1.6070 -3.4	1.6131 -3.1	1.6037 -2.6	81.0	
United Kingdom	(£) 7.7444	-0.0556	334 - 334	7.8257 7.7414	7.8154 -0.4	7.8179 -0.4	7.8179 -0.4	78.9	
West Germany	(TDM) 1.3475	+0.004	448 - 448	1.3565 1.3470	1.3472 -0.3	1.3458 -0.5	1.3333 -1.1	105.6	
YUK	(£) 1.5259	-0.0003	255 - 262	1.5237 1.5212	1.5205 -0.7	1.5201 -0.5	1.5202 -0.4	87.5	
USA	(Dollars)	-1.2608	-0.0177	682 - 687	1.2603 1.2604	1.2625 -0.4	1.2619 -0.2	1.2148 -0.7	-
USA	(Dollars)	-1.46509	-	-	-	-	-	-	-
Americas									
Argentina	(Pesos) 0.9995	+0.0004	980 - 000	0.9999 0.9999	-	-	-	-	-
Brazil	(R) 0.9330	-0.0025	320 - 340	0.9340 0.9320	-	-	-	-	-
Canada	(C\$) 1.3798	-0.0012	795 - 800	1.3816 1.3770	1.3814 -1.4	1.3848 -1.4	1.4056 -1.9	82.7	
Chile	(New Pesos) 3.4054	-0.034	374 - 374	3.4074 3.4054	3.4040 -0.4	3.4092 -0.3	3.4169 -0.2	-	
USA	(Dollars)	-	-	-	-	-	-	-	-
Asia/Pacific/Middle East/Africa									
Australia	(A\$) 1.3449	-0.0004	484 - 484	1.3475 1.3434	1.3451 -0.2	1.3458 -0.3	1.3432 -0.6	88.1	
Hong Kong	(HK\$) 7.7251	-0.0002	746 - 755	7.7256 7.7240	7.7240 -0.1	7.7258 -0.1	7.7406 -0.2	-	
Japan	(¥) 31.3588	-	650 - 725	31.3725 31.3650	31.4538 -0.9	31.4538 -0.9	31.4538 -0.9	-	
Malaysia	(RM) 98.0000	-0.75	500 - 500	98.8000 97.9000	97.795 -2.5	97.735 -2.7	94.94 -3.1	151.7	
Nepal	(N\$) 2.5983	+0.0023	928 - 938	2.5958 2.5900	2.5841 -0.4	2.5728 -0.2	2.4950 -2.0	-	
New Zealand	(NZ\$) 1.6541	-0.0006	534 - 548	1.6546 1.6526	1.655 -0.7	1.6559 -0.7	1.6822 -0.5	-	
Philippines	(P\$) 26.5000	-	265 - 265	26.5000 26.5000	-	-	-	-	
Saudi Arabia	(S\$) 3.7504	-	501 - 508	3.7508 3.7501	3.7517 -0.4	3.7569 -0.6	3.7744 -0.6	-	
Singapore	(S\$) 1.5102	-0.0001	988 - 105	1.5114 1.5080	1.5088 -1.1	1.5090 -0.9	1.5002 -0.7	-	
South Africa	(R) 3.6835	-0.013	820 - 850	3.7155 3.6820	3.699 -0.5	3.7273 -0.8	3.804 -3.3	-	
Taiwan	(NT\$) 4.6490	-0.055	550 - 550	4.6800 4.6450	4.5787 -0.8	4.5975 -0.8	-	-	
Thailand	(Baht) 82.2745	-0.0001	82.2745 - 82.2745	82.2745 82.2745	82.25 -4.5	82.25 -4.5	82.2745 -3.1	-	
Yemen	(Y\$) 26.5140	+0.014	990 - 190	26.5190 26.5170	26.5834 -0.9	26.5874 -0.9	-	-	
Thailand	(Baht) 24.9600	-0.03	500 - 500	25.0000 24.9500	25.0235 -0.5	25.16 -3.2	25.84 -2.7	-	

Source: The BDOSS rates for Jul 26. Bid/offer spreads in the Dollar Spot table show only the last two decimal points. Forward rates are not directly quoted to the market.

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AMERICA US stocks affected by poor results

Wall Street

Blue chip stocks gave ground yesterday morning after Chevron and Eastman Kodak released disappointing second-quarter results, writes Frank McGurty in New York.

By 1 pm, the Dow Jones Industrial Average was 6.16 lower at 3,735.68, while the more broadly based Standard & Poor's 500 was off 0.76 at 453.49.

Volume on the Big Board was light, with 136m shares traded by early afternoon. In the secondary markets, the American SE composite inched 0.57 ahead to 434.63, but the Nasdaq composite was 1.43 easier at 715.45.

Stocks failed to break out of their directionless drift amid continued uncertainty over monetary policy. For the most part, share prices meandered as investors waited for the Federal Reserve to make good on its chairman's veiled threat to

lift interest rates again in the near future.

Some of the day's economic news was supportive of the view that the Fed could delay its next credit tightening. The Conference Board, an industry trade group, said its July index of consumer confidence dipped from the previous month's reading, suggesting the potential for slower retail sales.

But the data, in line with expectations, had no impact on sentiment, with economists looking ahead to Friday's preliminary estimate of second-quarter growth, a report which could prove crucial in the Fed's decision-making.

Bond prices were slightly lower, with the uncertainty over short-term rates complicating the outlook for an afternoon supply auction.

Meanwhile, news from the corporate sector was generally lacklustre. Among the Dow industrial components, Eastman Kodak revealed a 27 per cent decline in net earnings from continuing operations and its share price was marked down 31¢ to \$47.75.

Chevron held up a little better, even though its second-quarter profits of 40 cents a

share compared poorly with a year-earlier result of 87 cents. The stock was trading down \$1 at \$45.

Boeing slipped 3/4¢ to \$45.75. The decline in its earnings was not as severe as analysts had forecast, but investors were unimpressed.

American Express appreciated 3/4¢ to \$26. The impact of its results, which were slightly better than expected, was marginal.

Gerber, the baby-food company, was unchanged at \$52.4 even though it posted net income of 39 cents a share, well below the consensus forecast of 42 cents.

A sharp downturn in profits and revenues at Lincoln National, an Indiana-based insurance company, sent its share price reeling.

The issue dropped nearly 11 per cent, or \$4.75, to \$38.75 in unusually heavy volume of 1.1m shares.

On the Nasdaq, Powersoft, a software concern, was hammered amid concern over its gross margins. The issue tumbled \$5.75 to \$45.25 even though it posted results which matched expectations.

Elsewhere in the technology sector, Cyrix dropped 1 1/2¢ to \$33.75 and Microsoft receded \$1 1/2 to \$52.75.

Canada

Toronto eased in sluggish mid-day trade as the unfolding Quebec election took a back seat to corporate earnings. Losses in conglomerates, financial services, energy and transportation outpaced gains in gold and real estate.

The TSE 300 composite index was down 10.70 to 4,157.70 in volume of 13.25m shares.

Lac Minerals, target of hostile takeovers by American Barrick and Royal Oak Mines, was the most active gold stock, easing 35¢ to \$24.75 in volume of 629,221. American Barrick was unchanged at \$30.75, while Royal Oak was steady at \$35.75.

Among corporate earnings reported during the day, Northern Telecom jumped 3 1/2¢ to \$43.75 after the company posted a second quarter profit in line with analysts' forecasts.

Mexico

Mexican stocks edged upwards on optimism that many first half company earnings results may not be as poor as originally expected.

The IPC index was up 0.41 at 2,244.35 in early trade.

Turnover was light at 35.6m pesos.

Traders said that the market also seemed to derive confidence from a recent presidential election poll showing that Mr Ernesto Zedillo was the leading contender for the elections later next month.

Firm gold supports S Africa

Johannesburg posted steady gains as the market found support in a firmer gold price and overcame fears of an escalation in nation-wide strike action.

The overall index finished 41 better at 5,609. Industrials added 27 to 6,447 and gold rose 35 to 2,084.

Western Areas added a \$4.50 to \$60 on news that talks were under way on combining its mining interests with that of adjacent South

Africa.

Deep Exploration added 35 cents to \$11.90 on news it had bought some of the metal and mining business of Royal Dutch/Shell's Billiton group.

De Beers rose \$1.75 to \$110.50 and Anglo American put on \$1.50 to \$236.50. Barlows added 50 cents to \$235.50.

SAB collected \$2 to \$288.75 while Iscor made 5 cents to 385 cents. Sappi added \$1.50 to \$54 and Absa rose 15 cents to \$9.60.

EUROPE Deutsche Bank helps to lift sentiment

The bourses were livelier yesterday.

FRANKFURT was encouraged by the slightly better than expected results from Deutsche Bank, which was enough to lift the Dax index by 15.74 to 2,151.96, but off an intraday high of 2,158.41.

There were further gains in the Dax, the index rising to 2,163.32.

Turnover was DM67.2bn.

Deutsche Bank put on DM7 to DM735.50 ahead of the results which came after the official session had ended. The bank reported that during the first half operating profit had risen by 1 per cent: most analysts had been forecasting a loss.

The bank also said that it expected full year results to be satisfactory. In this trade the shares rose to DM743.

Among other banking stocks, Commerzbank closed the official session at DM343, then rose to DM345.50, up DM7.50.

The vehicle sector was strong. Volkswagen for instance up DM3.80 at DM502.30.

MILAN succumbed to a fresh wave of uncertainty as the latest chapter in the long running corruption scandal unfolded, and investors worried about whether the prime minister, Mr Silvio Berlusconi would become embroiled in the investigations into his Fininvest media empire.

The Comit index registered a 16.32 or 2.3 per cent fall to 709.47 as investors, lulled by last week's firm performance into expecting a traditional August rally, sought to lighten their portfolios.

The falls were broadly based although insurers were among the hardest hit stocks. Generali fell L1.283 or 2.9 per cent to 42.034, Alleanza lost L638 or 3.7 per cent to L16,736 and Ras was L1.147 or 4.2 per cent lower at L25,000.

Telecommunications issues also tumbled. Sip lost L119 to L4.388 and Stet was L210 lower at L5,296.

Among other blue chips, Fiat gave up L196 or 2.8 per cent to L6,813 and Olivetti was L39 or 3.5 per cent lower at L2,451.

One of the most resistant

FT-SE Actuaries Share Indices

July 26	July 25	July 24	July 23	July 22	July 21	July 20	July 19
FT-SE Actuaries 100	1382.13	1385.03	1387.78	1390.89	1394.15	1396.70	1391.73
FT-SE Actuaries 200	1423.03	1427.03	1435.15	1427.54	1426.24	1424.74	1423.98
FT-SE Actuaries 300	1423.03	1427.03	1435.15	1427.54	1426.24	1424.74	1423.98

stocks was the Fininvest retailer Standa. The shares were unchanged at L37,000, although volumes were extremely thin.

PARIS retreated from earlier highs to close the CAC-40 index at 2,076.84, a day's gain of 17.00.

Turnover was FF41.5bn.

Dealers reported that activity was mainly driven by technical factors.

Eurotunnel moved up more than 5 per cent, the shares putting on FF1.3 to FF23.45 on speculation that it might be brought into the CAC-40 index.

AMSTERDAM rose on interest in cyclical and the Aex index finished up 1.44 at 404.96.

Among the most impressive performers, Heineken, helped

better than expected half year figures.

BRUSSELS continued to reap the benefits of the budget agreement and the Bel-20 index added 6.12 to 1,451.82 in turnover of BF12.2bn.

Solvay gained BF4.25 or 3.2 per cent to BF14.800 helped by a broker's buy recommendation and speculation over first half results due out today.

Financial stocks were firm.

STOCKHOLM was supported by gains in Astra and Volvo. The Affarsvärlden general index rose 5.5 to 1,470.5.

Brokers commented that Astra, up SKr2 to SKr189 in the B's, benefited from reports that a EU advisory panel had decided not to support a German request to ban the injectable version of the group's anti-ulcer drug Losec.

Turnover was SKr1.7bn.

Volvo, the most active share, added SKr11 to SKr756. Dealers said that the vehicle group was in heavy demand by international investors.

Written and edited by John Pitt and Michael Morgan

ASIA PACIFIC Taipei rallies to close at four-year high

Tokyo

Demand from corporations and arbitrageurs absorbed small lot profit-taking by overseas investors, and prices closed marginally higher in light volume, writes Emiko Terazono in Tokyo.

The Nikkei 225 index rose 47.71 to 20,345.37, reversing a 2.3 per cent decline over the previous three sessions. The index rose to a high of 20,390.88 in the early afternoon, but slipped to a low of 20,241.75 in the last half hour of trading.

The market focused on worries over profit-taking by foreign investors, looking to take advantage of the yen's strength. Volume totalled 253m shares against 232m. Dealers were sidelined on the last day of trading for their July books.

Some analysts, however, do not expect a mass exodus from Japanese stocks by overseas investors. "Some fund managers have decided that Japan will be quiet for a few months while European and south-east Asian markets have fallen low enough. But many people are still substantially underweight in Japan," said Mr Jason James, strategist at James Capel.

The Topix index of all first section stocks edged up 0.9 to 1,622.78, while the Nikkei 300 rose 0.20 to 233.96. Advances led declines by 514 to 472, with 192 issues remaining unchanged. In London, the ISE/Nikkei 50 index was down 1.26 at 1,308.41.

High-technology stocks were lower. Toshiba, the most active issue of the day, lost ¥19 to ¥735 and Hitachi declined ¥17 to ¥795. But Fujitsu gained ¥10 to ¥1,040 and Oki Electric Industry rose ¥4 to ¥740.

Automobile makers continued to face selling by overseas investors. Nissan Motor fell ¥5 to ¥745 and Toyota Motor declined ¥50 to ¥2,100.

Arbitrage buying lifted bank stocks. Dai-ichi Kangyo Bank gained ¥30 to ¥1,780 and Mitsubishi Bank rose ¥10 to ¥2,590. But brokers declined, with Nomura Securities down ¥10 to ¥2,390 and Nikko Securities losing ¥10 to ¥1,250.

Nippon Housing Loan, the housing loan company facing mounting bad debt, lost ¥10 to ¥2,390 on reports that it was pulling out of the mortgage securities business.

In Osaka, the OSE average fell 39.88 in volume of 56.2m shares. The index declined for the fourth consecutive day on position squaring. Nintendo, the video game maker, fell ¥90 to ¥6,700.

Roundup

Local stories predominated yesterday.

Nomura has reduced its weighting in Japan from 36 per cent to 28 per cent, and within the region, has moved 2 per cent to Korea, and 1 per cent each to Hong Kong, Malaysia, Australia and Taiwan.

TAIPEI finished at a four-year high led by a rally in financials, chemicals and foods, while the plastics sector rebounded after lagging behind last week.

The weighted index added 39.22 or 0.6 per cent to 6,727.22, its highest level since June 6, 1990. Turnover was firm at T\$107.24bn.

Among financials Cathay Life Insurance surged T\$14.00 to T\$218.00 to gain the daily seven per cent limit before going ex-dividend.

HONG KONG recovered from morning losses to close firmer on late buy orders triggered by better-than-expected government land auction results.

The Hang Seng index rose 19.74 to finish at 8,194.36 after falling to a low of 8,117.02 in early trade.

Property issues jumped sharply after the afternoon auction but came off their highs by the close as investors speculated that the sale of the relatively small sites was not enough to determine whether the government's recent campaign to cool the real estate market was effective.

Cheung Kong ended 30 cents higher at HK\$35.90, Henderson Land gained 40 cents to HK\$38.90 and Sun Hung Kai Properties added 40 cents to HK\$47.90.

MATILIA fell 1.5 per cent on profit-taking after gaining about 120 points in two days, and brokers said that prices were likely to consolidate further.

The composite index fell 42.98 to 3,726.53 in volume of 708.9m shares worth 1.21bn pesos.

Davao Union Cement, which was making its debut on the exchange, was actively traded well above its offer price of 5.90 pesos. Its B shares ended at

6.90 pesos while the A shares closed at 6.00 pesos.

SYDNEY weakened as sentiment was undermined by prospects of tighter monetary policy, with a central bank board meeting in progress yesterday.

The All Ordinaries index fell 7.0 to 2,041.3, just off its low of 2,039.2. Turnover was only modest at A\$233m.

Banks and insurers were weaker, with only isolated gains.

Elsewhere BHP rose 6 cents to A\$18.58, and in the mining sector, CRA fell 24 cents to A\$18.58, with WMC down 15 cents to A\$17.50 and MIM adding 1 cent to A\$2.99. Retailers were soft, with Coles Myer down 3 cents to A\$4.22.

SEOUL was lower after broad-based selling but some lightly weighted shares continued to attract investor interest. The composite stock index ended 6.22 lower at 2,006.04, with the decline largely attributed to losses in Semabang and Fraser & Neave.

Semabang dropped 30 cents to S\$10.20 amid speculation that the performance of its engineering division was likely to drag down the results of the group.

BANGKOK ended slightly lower in quiet trading as investors awaited today's no-confidence debate in parliament.

The SET index closed 1.56 lower at 1,346.50 after fluctuating between 1,339.71 and 1,353.39. Turnover was a moderate B\$596m.

Newly listed Rockworth was most active issue, closing at B\$119 on turnover of B\$422.5m. It opened at B\$102 against a subscriber price of B\$85, before peaking at B\$124.

BOMBAY edged ahead in a trading session curtailed to one-hour because of a disruption in the suburban railways. The 30-share BSE index rose 16.13 to 4,132.75.

Some buying was reported in A group shares by the local investors in an otherwise dull trading session.

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FT-ACTUARIES WORLD INDICES														
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NATIONAL AND REGIONAL MARKETS														
Figures in parentheses show number of lines of stock														
	US	Day's	Point	Local	Local	Local	US	Day's	Point	Local	Local	Local	US	Day's
	Dollar	Change	Index	Index	Index	% chg	Dollar	Dollar	Change	Index	Index	Index	Dollar	Dollar
		%							%					%
MONDAY JULY 28 1994														
Australia (88)	173.93	0.1	108.08	106.57	143.32	155.02	-0.1	3.54	173.71	168.56	108.40	144.09	155.86	136.58
Austria (17)	185.84	0.1	179.08	116.07	163.21	152.06	-0.2	1.04	184.73	170.25	115.27	153.27	150.41	155.88
Belgium (37)	171.92	-1.2	166.13	107.31	141.85	136.30	0.5	4.00	169.89	164.86	105.02	140.32	137.59	143.82
Canada (108)	127.81	-0.1	123.32	79.86	105.15	122.32	-0.1	2.26	127.77	126.99	78.73	105.59	127.75	126.99
Denmark (23)	197.81	-0.3	263.76	170.39	224.92	221.01	-0.1	1.29	271.55	263.50	108.46	225.25	231.17	207.58
Finland (24)	157.81	-0.3	152.50	98.51	130.09	173.81	-0.9	0.81	158.28	153.58	98.77	131.29	175.13	158.20
France (87)	175.50	1.7	189.69	109.81	144.69	148.21	-0.1	2.95	172.72	167.80	107.78	143.27	147.88	152.03
Germany (58)	143.12	0.4	138.31	90.34	117.59	117.30	-0.3	1.75	142.06	138.34	89.99	118.25	118.25	117.30
Hong Kong (58)	174.70	0.0	166.37	102.78	130.25	168.85	-0.2	2.21	172.08	167.54	107.74	143.22	147.78	152.03
Ireland (14)	190.32	0.5	192.82	124.42	164.24	165.25	-0.2	3.29	196.40	192.32	123.80	165.60	209.33	157.30
Italy (81)	98.54	-0.3	98.56	55.27	72.95	104.27	-0.7	1.45	98.78	98.18	55.41	73.55	105.04	97.78
Japan (88)	163.57	-1.0	159.05	102.10	134.78	102.10	-1.0	0.75	165.19	160.30	103.08	137.03	103.08	102.10
Malaysia (19)	173.41	0.2	467.46	265.51	390.06	372.41	0.2	1.73	472.54	455.54	294.88	351.03	411.49	321.43
Mexico (18)	193.76	0.1	188.00	121.55	160.83	172.43	0.2	1.64	188.00	183.01	112.00	157.11	170.00	161.57
Netherlands (27)	207.64	0.1	200.65	128.51	171.03	168.30	-0.1	3.38	200.65	199.97	128.00	170.94	168.40	165.62
New Zealand (14)	108.49	-0.3	108.15	42.75	56.44	60.17	-0.2	3.97	108.15	107.47	42.75	56.44	60.17	60.17
Norway (29)	208.82	0.6	199.57	126.57	172.05	168.72	-0.1	1.71	208.82	203.97	126.57	172.05	168.72	168.72
Singapore (44)	144.71	0.8	144.71	116.18	140.86	136.04	0.7	1.78	144.71	141.85	116.18	140.86	136.04	136.04
South Africa (59)	294.69	0.6	276.30	177.83	234.74	264.56	0.4	2.18	282.32	274.82	176.74	204.93	263.52	204.94
Spain (32)	142.37	0.1	137.69	88.67	117.31	140.68	-0.1	0.41	141.14	136.96	88.07	117.07	140.88	135.73
Sweden (35)	218.06	0.5	210.73	136.12	178.98	251.98	-0.9	1.89	218.96	213.82	135.39	179.97	251.83	213.39
Switzerland (47)	158.34	0.8	183.01	98.64	130.46	131.98	-0.1	1.84	167.38	162.72	98.22	130.56	151.92	176.96
United Kingdom (204)	194.26	0.1	167.17	121.28	191.07	181.73	-0.5	4.03	168.21	168.21	121.14	148.81	189.21	172.26
USA (19)	185.49	0.3	179.05	112.75	162.84	135.49	0.3	2.89	164.94	174.46	115.41	163.40	164.94	160.04
EUROPE (720)														
Nordic (116)	218.29	0.4	208.02	134.37	177.37	212.21	-0.1	2.59	219.43	208.07	133.81	177.86	215.22	200.60
Pacific Basin (749)	171.29	-0.6	165.51	106.91	141.12	111.28	-0.8	1.07	172.08	167.54	107.74	143.22	172.78	167.94
North America (1820)	170.00	-0.3	167.10	103.08	137.03	103.08	-0.3	0.75	168.54	163.57	103.08	137.03	103.08	103.08
Europe East (829)	181.80	0.3	175.78	113.54	148.88	181.50	0.3	2.88	181.39	176.01	113.19	150.46	180.99	192.73
Europe EC (UK) (18)	154.27	0.7	148.08	96.30	127.11	221.39	-0.1	2.38	153.14	148.81	95.57	127.03	153.27	157.47
Pacific Excl. Japan (204)	240.45	0.2	236.71	154.20	190.21	221.39	-0.1	2.26	240.46	240.12	154.42	95.57	221.03	229.21
World Excl. UK (1820)	170.00	-0.3	167.10	103.08	137.03	103.08	-0.3	0.75	168.54	163.57	103.08	137.03	103.08	103.08
World Excl. UK (1820)	173.94	0.0	167.70	106.33	142.86	146.08	-0.2	2.00	173.62	167.87	106.34	144.01	145.32	176.88
World Excl. S. Am. (212)	174.70	0.0	166.82	105.60	143.95	147.31	-0.2	2.25	174.76	169.58	105.60	144.88	174.88	156.54
World Excl. W. Eur. (1702)	185.28	0.3	183.10	115.42	150.74	175.14	-0.2	2.93	183.10	177.20	114.28	151.30	175.85	185.40
The World Index (2171)	175.38	0.0	169.49	106.47	146.81	149.93	-0.2	2.26	175.42	172.28	106.47	145.51	149.19	176.97
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